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H.R. 7-National Security Revitaliza...

**H.R. 7—NATIONAL SECURITY  
REVITALIZATION ACT**

COMMITTEE ON NATIONAL SECURITY  
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

HEARINGS HELD  
JANUARY 19, 25, AND 27, 1995



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REVITALIZATION ACT**

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WASHINGTON : 1996

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## H. R. 7

To revitalize the national security of the United States.

### IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 1995

MR. SPENCE, MR. GILMAN, MR. BRYANT of Tennessee, and MR. HAYES (for themselves, MR. WELDON of Pennsylvania, MR. DORNAN, MR. SAXTON, MR. TORKILDSSEN, MR. BARTLETT of Maryland, MR. LONGLEY, MR. CALLAHAN, MR. ROYCE, MR. BACHUS, MR. HOKE, MR. HASTERT, MR. SMITH of Texas, MR. FUNDERBURK, MR. CLINGER, MR. KIM, MR. BALLENGER, MR. POMBO, MR. NUSSLE, MR. CRANE, MR. TAYLOR of North Carolina, MR. CRAPO, MR. KOLBE, MR. HALL of Texas, MR. PAXON, MR. YOUNG of Florida, MR. COMBEST, MR. COBLE, MR. EHRLICH, MRS. MEYERS of Kansas, MR. STOCKMAN, MR. SMITH of Michigan, MR. BAKER of California, MR. COX, MR. SHAW, MR. HERGER, MR. HEINEMAN, MRS. FOWLER, MR. STEARNS, MR. HUTCHINSON, MR. HANCOCK, MR. ZIMMER, MR. LINDER, MR. EMERSON, MR. HOSTETTLER, MR. JONES, MR. ENSIGN, MR. TIAHRT, MRS. MYRICK, MR. HOUGHTON, MR. FRELINGHUYSEN, MR. EWING, MRS. CUBIN, MR. HASTINGS of Washington, MR. WELDON of Florida, MR. GANSKE, MR. COBURN, MR. LARGENT, MR. WELLER, MR. LEWIS of Kentucky, MR. LAHOOD, MR. BUNNING of Kentucky, MR. FOLEY, MR. INGLIS of South Carolina, MR. LIGHTFOOT, MR. ISTOOK, MR. CALVERT, MR. HOBSON, MR. CREMEANS, MR. KNOLLENBERG, MR. BILIRAKIS, MR. GOODLING, MR. HAYWORTH, MR. FOX, MR. RADANOVICH, MR. WAMP, MR. GILCHREST, MR. BLUTE, MR. SOLOMON, MR. BLILEY, MR. DOOLITTLE, MR. PACKARD, MR. STUMP, MR. EVERETT, MR. MILLER of Florida, MR. LATOURETTE, MR. FLANAGAN, MR. BURR, MRS. MOLINARI, MR. GUNDERSON, MR. THORNBERRY, MR. RIGGS, MR. GOODLATTE, MR. CHRISTENSEN, MR. HILLEARY, MR. WICKER, MR. BONO, MR. COOLEY, MR. FRISA, MR. MCINTOSH, MR. SMITH of New Jersey, MR. SHADEGG, MRS. JOHNSON of Connecticut, MR. CUNNINGHAM, MR. CHRYSLER, MR. CANADY, MR. MCCOLLUM, MR. BARTON of Texas, MR. GILLMOR, MR. BARR, MR. ARMEY, MR. FORBES, MR. WALDHOLTZ, MR. TATE, MRS. DUNN, MR. MICA, and MR. MCHUGH) introduced the following bill; which was referred as follows:

Title I, referred to the Committee on International Relations and, in addition, to the Committee on National Security, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

Title II, referred to the Committee on National Security

Title III, referred to the Committee on National Security and, in addition, to the Committee on International Relations, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

Section 401, referred to the Committee on National Security and, in addition, to the Committee on International Relations, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

## VI

Section 402, referred to the Committee on International Relations

Title V, referred to the Committee on International Relations and, in addition, to the Committee on National Security and the Permanent Select Committee on Intelligence, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

Title VI, referred to the Committee on International Relations

Title VII, referred to the Committee on the Budget

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## A BILL

To revitalize the national security of the United States.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

### SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “National Security Revitalization Act”.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

### TITLE I—FINDINGS, POLICY, AND PURPOSES

Sec. 101. Findings.

Sec. 102. Policy.

Sec. 103. Purposes.

### TITLE II—MISSILE DEFENSE

Sec. 201. Policy.

Sec. 202. Actions of the Secretary of Defense.

Sec. 203. Report to Congress.

### TITLE III—REVITALIZATION OF NATIONAL SECURITY COMMISSION

Sec. 301. Establishment.

Sec. 302. Composition.

Sec. 303. Duties.

Sec. 304. Reports.

Sec. 305. Powers.

Sec. 306. Commission procedures.

Sec. 307. Personnel matters.

Sec. 308. Termination of the commission.

Sec. 309. Funding.

### TITLE IV—COMMAND OF UNITED STATES FORCES

Sec. 401. Limitation on expenditure of Department of Defense funds for United States forces placed under command or operational control of a foreign national acting on behalf of the United Nations.

Sec. 402. Limitation on placement of United States Armed Forces under foreign control for a United Nations peacekeeping activity.

### TITLE V—UNITED NATIONS

Sec. 501. Credit against assessment for United States expenditures in support of United Nations peacekeeping operations.

Sec. 502. Codification of required notice to Congress of proposed United Nations peacekeeping activities.

Sec. 503. Notice to Congress regarding United States contributions for United Nations peacekeeping activities.

Sec. 504. Revised notice to Congress regarding United States assistance for United Nations peacekeeping activities.

Sec. 505. United States contributions to United Nations peacekeeping activities.

Sec. 506. Reimbursement to the United States for in-kind contributions to United Nations peacekeeping activities.

Sec. 507. Prohibition on use of funds to pay United States assessed or voluntary contribution for United Nations peacekeeping activities unless Department of Defense reimbursed by United Nations for certain goods and services.

Sec. 508. Limitation on use of Department of Defense funds for United States share of costs of United Nations peacekeeping activities.

Sec. 509. Codification of limitation on amount of United States assessed contributions for United Nations peacekeeping operations.

Sec. 510. Buy American requirement.

Sec. 511. United Nations peacekeeping budgetary and management reform.

Sec. 512. Conditions on provision of intelligence to the United Nations.

### TITLE VI—REVITALIZATION AND EXPANSION OF THE NORTH ATLANTIC TREATY ORGANIZATION

Sec. 601. Short title.

Sec. 602. Findings.

- Sec. 603. United States policy.  
 Sec. 604. Revisions to program to facilitate transition to NATO membership.  
 Sec. 605. Annual reporting requirement.  
 Sec. 606. Definitions.

## TITLE VII—BUDGET FIREWALLS

- Sec. 701. Restoration of budget firewalls for defense spending.

## TITLE I—FINDINGS, POLICY, AND PURPOSES

## SEC. 101. FINDINGS.

The Congress finds the following:

(1) Since January 1993, presidential budgets and budget plans have set forth a reduction in defense spending of \$156,000,000,000 through fiscal year 1999.

(2) The fiscal year 1995 budget is the 10th consecutive year of reductions in real defense spending and, with the exception of fiscal year 1948, represents the lowest percentage of gross domestic product for any defense budget since World War II.

(3) During fiscal year 1995, the number of active duty, reserve component, and civilian personnel of the Department of Defense will be reduced by 182,000, a rate of over 15,000 per month or over 500 per day. The Bureau of Labor Statistics estimates that 1,200,000 defense-related private sector jobs will be lost by 1997.

(4) Despite severe reductions and shortfalls in defense funding and force structure, since 1993 United States military forces have been deployed more often and committed to more peacetime missions per year than ever before. Most of these missions involve United Nations peace keeping and humanitarian efforts. At the end of fiscal year 1994, over 70,000 United States personnel were serving in such regions as Iraq, Bosnia, Macedonia, the Adriatic Sea, Rwanda, and the Caribbean Sea for missions involving Haiti and Cuba.

(5) United Nations assessments to the United States for peace keeping missions totaled almost \$1,500,000,000 in 1994. The United States is assessed 31.7 percent of annual United Nations costs for peace keeping and other United Nations missions. The next highest contributor, Japan, only pays 12.5 percent of such costs. The Department of Defense also incurs hundreds of millions of dollars in costs every year for United States military participation in United Nations peace keeping or humanitarian missions, most of which are not reimbursed by the United Nations. For fiscal year 1994, these Department of Defense costs totaled over \$1,721,000,000.

(6) A return to the "hollow forces" of the 1970s has already begun. At the end of fiscal year 1994, one-third of the units in the Army contingency force and all of the forward-deployed and follow-on Army divisions were reporting a reduced state of military readiness. During fiscal year 1994, training readiness declined for the Navy's Atlantic and Pacific fleets. Funding shortfalls for that fiscal year resulted in a grounding of Navy and Marine Corps aircraft squadrons and cancellation and curtailment of Army training exercises. Marine and naval personnel are not maintaining the standard 12- to 18-month respite between six-month deployments away from home. Marine Corps units are spending up to two of their first four years away from their base camps. The significantly increased pace of Department of Defense operations has United States forces over deployed.

(7) As of January 1, 1995, military pay is approximately 12.8 percent below comparable civilian levels. As a result, it is estimated that close to 17,000 junior enlisted personnel have to rely on food stamps and the Department of Defense will soon begin providing supplementary food benefits to an estimated 11,000 military personnel and dependents living overseas.

(8) Defense modernization programs to maintain the battlefield technology edge of the United States over other nations are being delayed or canceled in an attempt to prevent the further erosion of military force readiness.

(9) The centerpiece of the Administration's defense strategy, the Bottom Up Review, reduces Navy ships by one-third, Air Force wings by almost one-half, and funding for missile defenses by over 50 percent, and the General Accounting Office has reported that even the restrictive Bottom Up Review could be underfunded by \$150,000,000,000.

(10) The Administration has initially agreed to or proposed treaty limitations, or has unilaterally adopted positions, that prohibit the United States from testing or deploying effective missile defense systems.



**SEC. 102. POLICY.**

The Congress is committed to providing adequate resources to protect the national security of the United States.

**SEC. 103. PURPOSES.**

The purposes of this Act are—

(1) to establish a commission to reassess United States military needs and reverse the continuing downward spiral of defense spending;

(2) to commit the United States to accelerate the development and deployment of theater and national ballistic missile defense capabilities;

(3) to restrict deployment of United States forces to missions that are in the national interest of the United States;

(4) to maintain command and control by United States personnel of United States forces participating in United Nations peacekeeping operations;

(5) to reduce the cost to the United States of United Nations peacekeeping activities and to press for reforms in the United Nations management practices; and

(6) to reemphasize the commitment of the United States to a strong and viable North Atlantic Treaty Organization.

## **TITLE II—MISSILE DEFENSE**

**SEC. 201. POLICY.**

It shall be the policy of the United States to—

(1) deploy at the earliest possible date an antiballistic missile system that is capable of providing a highly effective defense of the United States against ballistic missile attacks; and

(2) provide at the earliest possible date highly effective theater missile defenses (TMDs) to forward-deployed and expeditionary elements of the Armed Forces of the United States and to friendly forces and allies of the United States.

**SEC. 202. ACTIONS OF THE SECRETARY OF DEFENSE.**

(a) **ABM SYSTEMS.**—The Secretary of Defense shall develop for deployment at the earliest possible date a cost-effective, operationally effective antiballistic missile system designed to protect the United States against ballistic missile attacks.

(b) **ADVANCED THEATER MISSILE DEFENSES.**—The Secretary of Defense shall develop for deployment at the earliest possible date advanced theater missile defense systems.

**SEC. 203. REPORT TO CONGRESS.**

(a) **REQUIREMENT.**—Not later than 60 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the congressional defense committees a plan for the deployment of an antiballistic missile system pursuant to section 202(a) and for the deployment of theater missile defense systems pursuant to section 202(b).

(b) **CONGRESSIONAL DEFENSE COMMITTEES.**—For purposes of this section, the term “congressional defense committees” means—

(1) the Committee on National Security and the Committee on Appropriations of the House of Representatives; and

(2) the Committee on Armed Services and the Committee on Appropriations of the Senate.

## **TITLE III—REVITALIZATION OF NATIONAL SECURITY COMMISSION**

**SEC. 301. ESTABLISHMENT.**

There is hereby established a commission to be known as the “Revitalization of National Security Commission” (hereinafter in this title referred to as the “Commission”).

**SEC. 302. COMPOSITION.**

(a) **APPOINTMENT.**—The Commission shall be composed of 12 members, appointed as follows:

(1) Four members shall be appointed by the President.

(2) Four members shall be appointed by the Speaker of the House of Representatives in consultation with the minority leader of the House of Representatives.

(3) Four members shall be appointed by the President pro tempore of the Senate upon the recommendation of the majority leader and the minority leader of the Senate.

(b) **QUALIFICATIONS.**—The members of the Commission shall be appointed from among persons having knowledge and experience in defense and foreign policy.

(c) **TERM OF MEMBERS; VACANCIES.**—Members of the Commission shall be appointed for the life of the Commission. A vacancy on the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment was made.

(d) **COMMENCEMENT.**—The members of the Commission shall be appointed not later than 21 days after the enactment of this Act. The Commission shall convene its first meeting to carry out its duties under this section 14 days after seven members of the Commission have been appointed.

(e) **CHAIRMAN.**—The chairman of the Commission shall be designated jointly by the Speaker of the House of Representatives and the majority leader of the Senate from among members of the Commission appointed under subsection (a)(2) or (a)(3).

#### SEC. 303. DUTIES.

(a) **COMPREHENSIVE REVIEW.**—The Commission shall conduct a comprehensive review of the long-term national security needs of the United States. The review shall include the following:

(1) An assessment of the need for a new national security strategy and, if it is determined that such a new strategy is needed, identification of such a strategy.

(2) An assessment of the need for a new national military strategy and, if it is determined that such a new strategy is needed, identification of such a strategy.

(3) An assessment of the military force structure necessary to support the new strategies identified under paragraphs (1) and (2).

(4) An assessment of force modernization requirements necessary to support the new strategies identified under paragraphs (1) and (2).

(5) An assessment of military infrastructure requirements necessary to support the new strategies identified under paragraphs (1) and (2).

(6) An assessment of the funding needs of the Department of Defense necessary to support the long-term national security requirements of the United States.

(7) An assessment of the adequacy of the force structure recommended in the 1993 Bottom-Up Review in executing the national military strategy.

(8) An assessment of the adequacy of the current future-years defense plan in fully funding the Bottom-Up Review force structure while maintaining adequate force modernization and military readiness objectives.

(9) An assessment of the level of defense funds expended on non-defense programs.

(10) An assessment of the costs of the United States of expanding the membership of the North Atlantic Treaty Organization.

(b) **MATTERS TO BE CONSIDERED.**—In carrying out the review, the Commission shall develop specific recommendations to accomplish each of the following:

(1) Provide members of the Armed Forces with annual pay raises and other compensation at levels sufficient to begin closing the gap with comparable civilian pay levels.

(2) Fully fund cost-effective missile defense systems that are deployable at the earliest possible date following enactment of this Act.

(3) Maintain adequate funding for military readiness accounts without sacrificing modernization programs.

(4) Define policies for committing troops to peace keeping, peacemaking, peace-enforcing, or humanitarian missions.

(5) Provide a stronger role for Guard and Reserve forces.

(6) Provide a new funding system to avoid diversions from military readiness accounts to pay for peace keeping and humanitarian deployments such as Haiti and Rwanda.

#### SEC. 304. REPORTS.

(a) **FINAL REPORT.**—The Commission shall submit to the President and the designated congressional committees a report on the assessments and recommendations referred to in section 303 not later than January 1, 1996. The report shall be submitted in unclassified and classified versions.

(b) **INTERIM REPORT.**—The Commission shall submit to the President and the designated congressional committees an interim report describing the Commission's progress in fulfilling its duties under section 303. The interim report shall include any preliminary recommendations the Commission may have reached and shall be submitted not later than October 1, 1995.

(c) **DESIGNATED CONGRESSIONAL COMMITTEES.**—For purposes of this section, the term "designated congressional committees" means—

(1) the Committee on National Security, the Committee on International Relations, and the Committee on Appropriations of the House of Representatives; and

(2) the Committee on Armed Services, the Committee on Foreign Relations, and the Committee on Appropriations of the Senate.

#### **SEC. 305. POWERS.**

(a) **HEARINGS.**—The Commission may, for the purpose of carrying out this section, conduct such hearings, sit and act at such times, take such testimony, and receive such evidence, as the Commission considers appropriate.

(b) **ASSISTANCE FROM OTHER AGENCIES.**—The Commission may secure directly from any department or agency of the Federal Government such information, relevant to its duties under this title, as may be necessary to carry out such duties. Upon request of the chairman of the Commission, the head of the department or agency shall, to the extent permitted by law, furnish such information to the Commission.

(c) **MAIL.**—The Commission may use the United States mails in the same manner and under the same conditions as the departments and agencies of the Federal Government.

(d) **ASSISTANCE FROM SECRETARY OF DEFENSE.**—The Secretary of Defense shall provide to the Commission such reasonable administrative and support services as the Commission may request.

#### **SEC. 306. COMMISSION PROCEDURES.**

(a) **MEETINGS.**—The Commission shall meet on a regular basis (as determined by the chairman) and at the call of the chairman or a majority of its members.

(b) **QUORUM.**—A majority of the members of the Commission shall constitute a quorum for the transaction of business.

#### **SEC. 307. PERSONNEL MATTERS.**

(a) **COMPENSATION.**—Each member of the Commission shall serve without compensation, but shall be allowed travel expenses including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, when engaged in the performance of Commission duties.

(b) **STAFF.**—The Commission shall appoint a staff director, who shall be paid at a rate not to exceed the maximum rate of basic pay under section 5376 of title 5, United States Code, and such professional and clerical personnel as may be reasonable and necessary to enable the Commission to carry out its duties under this title without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title, or any other provision of law, relating to the number, classification, and General Schedule rates. No employee appointed under this subsection (other than the staff director) may be compensated at a rate to exceed the maximum rate applicable to level 15 of the General Schedule.

(c) **DETAILED PERSONNEL.**—Upon request of the chairman of the Commission, the head of any department or agency of the Federal Government is authorized to detail, without reimbursement, any personnel of such department or agency to the Commission to assist the Commission in carrying out its duties under this section. The detail of any such personnel may not result in the interruption or loss of civil service status or privilege of such personnel.

#### **SEC. 308. TERMINATION OF THE COMMISSION.**

The Commission shall terminate upon submission of the final report required by section 303.

#### **SEC. 309. FUNDING.**

Of the funds available to the Department of Defense, \$1,500,000 shall be made available to the Commission to carry out the provisions of this title.



## TITLE IV—COMMAND OF UNITED STATES FORCES

### SEC. 401. LIMITATION ON EXPENDITURE OF DEPARTMENT OF DEFENSE FUNDS FOR UNITED STATES FORCES PLACED UNDER COMMAND OR OPERATIONAL CONTROL OF A FOREIGN NATIONAL ACTING ON BEHALF OF THE UNITED NATIONS.

(a) IN GENERAL.—(1) Chapter 20 of title 10, United States Code, is amended by inserting after section 404 the following new section:

#### “§ 405. Placement of United States forces under command or operational control of foreign nationals acting on behalf of the United Nations: limitation

“(a) LIMITATION.—(1) Except as provided in subsections (b) and (c), funds appropriated or otherwise made available for the Department of Defense may not be obligated or expended for activities of any element of the armed forces that after the date of the enactment of this section is placed under the command or operational control of a foreign national acting on behalf of the United Nations for the purpose of international peacekeeping, peacemaking, peace-enforcing, or similar activity that is authorized by the Secretary Council under chapter VI or VII of the Charter of the United Nations.

“(2) For purposes of this section, elements of the armed forces shall be considered to be placed under the command or operational control of a foreign national acting on behalf of the United Nations only in a case in which the senior military commander of the United Nations force or operation is a foreign national.

“(b) EXCEPTION FOR PRESIDENTIAL CERTIFICATION.—(1) Subsection (a) shall not apply in the case of a proposed placement of any element of the armed forces under such command or operational control if the President, not less than 15 days before the date on which such command or operational control is to become effective (or as provided in paragraph (2)), meets the requirements of subsection (d).

“(2) If the President certifies to Congress that an emergency exists that precludes the President from meeting the requirements of subsection (d) 15 days before placing any element of the armed forces under such command or operational control, the President may place such forces under such command or operational control and meet the requirements of subsection (d) in a timely manner, but in no event later than 48 hours after such command or operational control becomes effective.

“(c) EXCEPTION FOR AUTHORIZATION BY LAW.—Subsection (a) shall not apply in the case of a proposed placement of any element of the armed forces under such command or operational control if the Congress specifically authorizes by law that particular placement of United States forces under such command or operational control.

“(d) PRESIDENTIAL CERTIFICATIONS.—The requirements referred to in subsection (b)(1) are that the President submit to Congress the following:

“(1) Certification by the President that—

“(A) such a command or operational control arrangement is necessary to protect national security interests of the United States;

“(B) the commander of any unit of the armed forces proposed for placement under the command or operational control of a foreign national acting directly on behalf of the United Nations will at all times retain the right—

“(i) to report independently to superior United States military authorities; and

“(ii) to decline to comply with orders judged by the commander to be illegal, militarily imprudent, or beyond the mandate of the mission to which the United States agreed with the United Nations, until such time as that commander receives direction from superior United States military authorities with respect to the orders that the commander has declined to comply with;

“(C) any element of the armed forces proposed for placement under the command or operational control of a foreign national acting directly on behalf of the United Nations will at all times remain under United States administrative command for such purposes as discipline and evaluation; and

“(D) the United States will retain the authority to withdraw any element of the armed forces from the proposed operation at any time and to take any action it considers necessary to protect those forces if they are engaged.

“(2) A report setting forth the following:

“(A) A description of the national security interests that require the placement of United States forces under the command or operational control of a foreign national acting directly on behalf of the United Nations.

“(B) The mission of the United States forces involved.

"(C) The expected size and composition of the United States forces involved.

"(D) The incremental cost to the United States of participation in the United Nations operation by the United States forces which are proposed to be placed under the command or operational control of a foreign national.

"(E) The precise command and control relationship between the United States forces involved and the United Nations command structure.

"(F) The precise command and control relationship between the United States forces involved and the commander of the United States unified command for the region in which those United States forces are to operate.

"(G) The extent to which the United States forces involved will rely on non-United States forces for security and self-defense and an assessment on the ability of those non-United States forces to provide adequate security to the United States forces involved.

"(H) The timetable for complete withdrawal of the United States forces involved.

"(e) CLASSIFICATION OF REPORT.—A report under subsection (c) shall be submitted in unclassified form and, if necessary, in classified form.

"(f) EXCEPTION FOR SMALL FORCES.—This section does not apply in a case in which fewer than 50 members of the armed forces are participating in a particular United Nations operation or activity.

"(g) INTERPRETATION.—Nothing in this section may be construed—

"(1) as authority for the President to use any element of the armed forces in any operation; or

"(2) as authority for the President to place any element of the armed forces under the command or operational control of a foreign national."

(2) The table of sections at the beginning of subchapter I of such chapter is amended by adding at the end the following new item:

"405. Placement of United States forces under command or operational control of foreign nationals acting on behalf of the United Nations: limitation."

(b) REPORT RELATING TO CONSTITUTIONALITY.—No certification may be submitted by the President under section 405(d)(1) of title 10, United States Code, as added by subsection (a), until the President has submitted to the Congress (after the date of the enactment of this Act) a memorandum of legal points and authorities explaining why the placement of elements of United States Armed Forces under the command or operational control of a foreign national acting on behalf of the United Nations does not violate the Constitution.

(c) EXCEPTION FOR ONGOING OPERATION IN MACEDONIA.—Section 405 of title 10, United States Code, as added by subsection (a) does not apply in the case of activities of the Armed Forces in Macedonia pursuant to United Nations Security Council Resolutions 795, adopted December 11, 1992, and 842, adopted June 18, 1993, as part of the United Nations force designated as the United Nations Protection Force (UNPROFOR).

#### SEC. 402. LIMITATION ON PLACEMENT OF UNITED STATES ARMED FORCES UNDER FOREIGN CONTROL FOR A UNITED NATIONS PEACEKEEPING ACTIVITY.

(a) IN GENERAL.—Section 6 of the United Nations Participation Act of 1945 (22 U.S.C. 287d) is amended to read as follows:

"SEC. 6. (a) AGREEMENTS WITH SECURITY COUNCIL.—(1) Any special agreement described in paragraph (2) that is concluded by the President with the Security Council shall not be effective unless approved by the Congress by law.

"(2) An agreement referred to in paragraph (1) is an agreement providing for the numbers and types of United States Armed Forces, their degree of readiness and general locations, or the nature of facilities and assistance, including rights of passage, to be made available to the Security Council for the purpose of maintaining international peace and security in accordance with Article 43 of the Charter of the United Nations.

"(b) LIMITATION.—(1) Except as provided in subsections (c) and (d), the President may not place any element of the Armed Forces under the command or operational control of a foreign national acting on behalf of the United Nations for the purpose of international peacekeeping, peacemaking, peace-enforcing, or similar activity that is authorized by the Secretary Council under chapter VI or VII of the Charter of the United Nations.

"(2) For purposes of this section, elements of the Armed Forces shall be considered to be placed under the command or operational control of a foreign national acting on behalf of the United Nations only in a case in which the senior military commander of the United Nations force or operation is a foreign national.

"(c) EXCEPTION FOR PRESIDENTIAL CERTIFICATION.—(1) Subsection (b) shall not apply in the case of a proposed placement of any element of the Armed Forces under such command or operational control if the President, not less than 15 days before the date on which such command or operational control is to become effective (or as provided in paragraph (2)), meets the requirements of subsection (e).

"(2) If the President certifies to Congress that an emergency exists that precludes the President from meeting the requirements of subsection (e) 15 days before placing any element of the Armed Forces under such command or operational control, the President may place such forces under such command or operational control and meet the requirements of subsection (e) in a timely manner, but in no event later than 48 hours after such command or operational control becomes effective.

"(d) EXCEPTION FOR AUTHORIZATION BY LAW.—Subsection (b) shall not apply in the case of a proposed placement of any element of the Armed Forces under such command or operational control if the Congress specifically authorizes by law that particular placement of United States forces under such command or operational control.

"(e) PRESIDENTIAL CERTIFICATIONS.—The requirements referred to in subsection (c)(1) are that the President submit to Congress the following:

"(1) Certification by the President that—

"(A) such a command or operational control arrangement is necessary to protect national security interests of the United States;

"(B) the commander of any unit of the Armed Forces proposed for placement under the command or operational control of a foreign national acting directly on behalf of the United Nations will at all times retain the right—

"(i) to report independently to superior United States military authorities; and

"(ii) to decline to comply with orders judged by the commander to be illegal, militarily imprudent, or beyond the mandate of the mission to which the United States agreed with the United Nations, until such time as that commander receives direction from superior United States military authorities with respect to the orders that the commander has declined to comply with;

"(C) any element of the Armed Forces proposed for placement under the command or operational control of a foreign national acting directly on behalf of the United Nations will at all times remain under United States administrative command for such purposes as discipline and evaluation; and

"(D) the United States will retain the authority to withdraw any element of the Armed Forces from the proposed operation at any time and to take any action it considers necessary to protect those forces if they are engaged.

"(2) A report setting forth the following:

"(A) A description of the national security interests that require the placement of United States forces under the command or operational control of a foreign national acting directly on behalf of the United Nations.

"(B) The mission of the United States forces involved.

"(C) The expected size and composition of the United States forces involved.

"(D) The incremental cost to the United States of participation in the United Nations operation by the United States forces which are proposed to be placed under the command or operational control of a foreign national.

"(E) The precise command and control relationship between the United States forces involved and the United Nations command structure.

"(F) The precise command and control relationship between the United States forces involved and the commander of the United States unified command for the region in which those United States forces are to operate.

"(G) The extent to which the United States forces involved will rely on non-United States forces for security and self-defense and an assessment on the ability of those non-United States forces to provide adequate security to the United States forces involved.

"(H) The timetable for complete withdrawal of the United States forces involved.

"(f) CLASSIFICATION OF REPORT.—A report under subsection (e) shall be submitted in unclassified form and, if necessary, in classified form.

"(g) EXCEPTION FOR SMALL FORCES.—This section does not apply in a case in which fewer than 50 members of the Armed Forces are participating in a particular United Nations operation or activity.

"(h) INTERPRETATION.—Except as authorized in section 7 of this Act, nothing contained in this Act shall be construed as an authorization to the President by the



Congress to make available to the Security Council United States Armed Forces, facilities, or assistance.”.

(b) **REPORT RELATING TO CONSTITUTIONALITY.**—No certification may be submitted by the President under section 6(e)(1) of the United Nations Participation Act of 1945, as amended by subsection (a), until the President has submitted to the Congress (after the date of the enactment of this Act) a memorandum of legal points and authorities explaining why the placement of elements of United States Armed Forces under the command or operational control of a foreign national acting on behalf of the United Nations does not violate the Constitution.

(c) **EXCEPTION FOR ONGOING OPERATION IN MACEDONIA.**—Section 6 of the United Nations Participation Act of 1945, as amended by subsection (a), does not apply in the case of activities of the Armed Forces in Macedonia pursuant to United Nations Security Council Resolutions 795, adopted December 11, 1992, and 842, adopted June 18, 1993, as part of the United Nations force designated as the United Nations Protection Force (UNPROFOR).

## TITLE V—UNITED NATIONS

### SEC. 501. CREDIT AGAINST ASSESSMENT FOR UNITED STATES EXPENDITURES IN SUPPORT OF UNITED NATIONS PEACEKEEPING OPERATIONS.

(a) **IN GENERAL.**—The United Nations Participation Act of 1945 (22 U.S.C. 287 et seq.) is amended by adding at the end the following new section:

“SEC. 10. (a) **CREDIT AGAINST ASSESSMENT FOR EXPENDITURES IN SUPPORT OF PEACEKEEPING OPERATIONS.**—

“(1) **LIMITATION.**—Funds may be obligated for payment to the United Nations of the United States assessed share of peacekeeping operations for a fiscal year only to the extent that—

“(A) the amount of such assessed share exceeds—

“(B) the amount equal to—

“(i) the total amount identified in the report submitted pursuant to paragraph (2) for the preceding fiscal year, reduced by

“(ii) the amount of any reimbursement or credit to the United States by the United Nations for the costs of United States support for, or participation in, United Nations peacekeeping activities for that preceding fiscal year.

“(2) **ANNUAL REPORT.**—The President shall, at the time of submission of the budget to the Congress for any fiscal year, submit to the designated congressional committees a report on the total amount of funds appropriated for national defense purposes for any fiscal year that were expended during the preceding fiscal year to support or participate in, directly or indirectly, United Nations peacekeeping activities. Such report shall include a separate listing by United Nations peacekeeping operation of the amount of funds expended to support or participate in each such operation.

“(3) **DEFINITIONS.**—For purposes of this subsection:

“(A) **UNITED NATIONS PEACEKEEPING ACTIVITIES.**—The term ‘United Nations peacekeeping activities’ means any international peacekeeping, peace-making, peace-enforcing, or similar activity that is authorized by the United Nations Security Council under chapter VI or VII of the Charter of the United Nations.

“(B) **DESIGNATED CONGRESSIONAL COMMITTEES.**—The term ‘designated congressional committees’ includes the Committee on National Security of the House of Representatives and the Committee on Armed Services of the Senate.”.

(b) **EFFECTIVE DATE.**—The limitation contained in section 10(a)(1) of the United Nations Participation Act of 1945, as added by subsection (a), shall apply only with respect to United Nations assessments for peacekeeping operations after fiscal year 1995.

### SEC. 502. CODIFICATION OF REQUIRED NOTICE TO CONGRESS OF PROPOSED UNITED NATIONS PEACEKEEPING ACTIVITIES.

(a) **REQUIRED NOTICE.**—Section 4 of the United Nations Participation Act of 1945 (22 U.S.C. 287b) is amended—

(1) by striking the second sentence of subsection (a);

(2) by redesignating subsection (e) as subsection (f); and

(3) by inserting after subsection (d) a new subsection (e) consisting of the text of subsection (a) of section 407 of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995 (Public Law 103-236), revised—

## (A) in paragraph (2)—

(i) in the matter preceding subparagraph (A), by inserting “in written form not later than the 10th day of” after “shall be provided”;

(ii) in subparagraph (A)(iv), by inserting “(including facilities, training, transportation, communication, intelligence, and logistical support)” after “covered by the resolution”; and

(iii) in subparagraph (B), by adding at the end the following new clause:

“(iv) A description of any other United States assistance to or support for the operation (including facilities, training, transportation, communication, intelligence, and logistical support), and an estimate of the cost to the United States of such assistance or support.”;

(B) by striking paragraph (3);

(C) by redesignating paragraph (4) as paragraph (3) and in the last sentence of that paragraph by striking “and (ii)” and inserting “through (iv)”;

(D) by inserting after paragraph (3) (as so redesignated) the following new paragraph:

“(4) NEW UNITED NATIONS PEACEKEEPING OPERATION DEFINED.—As used in paragraphs (2) (B) and (3), the term ‘new United Nations peacekeeping operation’ includes any existing or otherwise ongoing United Nations peacekeeping operation—

“(A) that is to be expanded by more than 25 percent during the period covered by the Security Council resolution, as measured by either the number of personnel participating (or authorized to participate) in the operation or the budget of the operation; or

“(B) that is to be authorized to operate in a country in which it was not previously authorized to operate.”; and

(E) in paragraph (5)—

(i) by striking “(5) NOTIFICATION” and all that follows through “(B) The President” and inserting “(5) QUARTERLY REPORTS.—The President”; and

(ii) by striking “section 4(d)” and all that follows through “of this subsection” and inserting “subsection (d)”.

(b) CONFORMING REPEAL.—Subsection (a) of section 407 of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995 (Public Law 103-236), is repealed.

(c) DESIGNATED CONGRESSIONAL COMMITTEES.—Subsection (f) of section 4 of the United Nations Participation Act of 1945 (22 U.S.C. 287b(f)), as redesignated by subsection (a), is amended to read as follows:

“(f) DESIGNATED CONGRESSIONAL COMMITTEES.—As used in this section, the term ‘designated congressional committees’ has the meaning given such term in section 10(f).”.

#### SEC. 503. NOTICE TO CONGRESS REGARDING UNITED STATES CONTRIBUTIONS FOR UNITED NATIONS PEACEKEEPING ACTIVITIES.

Section 10 of the United Nations Participation Act of 1945 is amended by adding after subsection (a), as added by section 501, the following new subsection:

“(b) NOTICE TO CONGRESS REGARDING CONTRIBUTIONS FOR PEACEKEEPING ACTIVITIES.—

“(1) NOTICE REGARDING UNITED NATIONS BILLING REQUEST.—Not later than 15 days after the date on which the United States receives from the United Nations a billing requesting a payment by the United States of any contribution for United Nations peacekeeping activities, the President shall so notify the designated congressional committees.

“(2) NOTICE REGARDING PROPOSED OBLIGATION OF FUNDS.—The President shall notify the designated congressional committees at least 15 days before the United States obligates funds for any assessed or voluntary contribution for United Nations peacekeeping activities, except that if the President determines that an emergency exists which prevents compliance with the requirement that such notification be provided 15 days in advance and that such contribution is in the national security interests of the United States, such notification shall be provided in a timely manner but no later than 48 hours after such obligation.”.

#### SEC. 504. REVISED NOTICE TO CONGRESS REGARDING UNITED STATES ASSISTANCE FOR UNITED NATIONS PEACEKEEPING ACTIVITIES.

Section 7 of the United Nations Participation Act of 1945 (22 U.S.C. 287d-1) is amended—

(1) in subsection (a), by inserting “other than subsection (e)(1)” after “any other law”; and

(2) by adding at the end the following new subsection:

"(e)(1) Except as provided in paragraphs (2) and (3), at least 15 days before any agency or entity of the United States Government makes available to the United Nations any assistance or facility to support or facilitate United Nations peacekeeping activities, the President shall so notify the designated congressional committees.

"(2) Paragraph (1) does not apply to—

"(A) assistance having a value of less than \$1,000,000 in the case of non-reimbursable assistance or less than \$5,000,000 in the case of reimbursable assistance; or

"(B) assistance provided under the emergency drawdown authority contained in sections 506(a)(1) and 552(c)(2) of the Foreign Assistance Act of 1961 (22 U.S.C. 2318(a)(1), 2348a(c)(2)).

"(3) If the President determines that an emergency exists which prevents compliance with the requirement in paragraph (1) that notification be provided 15 days in advance and that the contribution of any such assistance or facility is in the national security interests of the United States, such notification shall be provided in a timely manner but not later than 48 hours after such assistance or facility is made available to the United Nations.

"(4) For purposes of this subsection, the term 'assistance'—

"(A) means assistance of any kind, including logistical support, supplies, goods, or services (including command, control, communications or intelligence assistance and training), and the grant of rights of passage; and

"(B) includes assistance provided through in-kind contributions or through the provision of support, supplies, goods, or services on any terms, including on a grant, lease, loan, or reimbursable basis; but

"(C) does not include the payment of assessed or voluntary contributions."

#### SEC. 505. UNITED STATES CONTRIBUTIONS TO UNITED NATIONS PEACEKEEPING ACTIVITIES.

Section 4(d)(1) of the United Nations Participation Act of 1945 (22 U.S.C. 287b(d)(1)) is amended—

(1) by redesignating subparagraph (D) as subparagraph (E); and

(2) by inserting after subparagraph (C) the following new subparagraph:

"(D) A description of the anticipated budget for the next fiscal year for United States participation in United Nations peacekeeping activities, including a statement of—

"(i) the aggregate amount of funds available to the United Nations for that fiscal year, including assessed and voluntary contributions, which may be made available for United Nations peacekeeping activities; and

"(ii) the aggregate amount of funds (from all accounts) and the aggregate costs of in-kind contributions that the United States proposes to make available to the United Nations for that fiscal year for United Nations peacekeeping activities."

#### SEC. 506. REIMBURSEMENT TO THE UNITED STATES FOR IN-KIND CONTRIBUTIONS TO UNITED NATIONS PEACEKEEPING ACTIVITIES.

(a) IN GENERAL.—Section 7 of the United Nations Participation Act of 1945 (22 U.S.C. 287d-1), as amended by section 504, is further amended—

(1) in subsection (b)—

(A) by inserting "(1)" after "(b)";

(B) by striking "United States: *Provided*," through "*Provided further*, That when" and inserting "United States. When"; and

(C) by adding at the end the following:

"(2) The Secretary of Defense may waive the requirement for reimbursement under paragraph (1) if the Secretary, after consultation with the Secretary of State and the Director of the Office of Management and Budget, determines that an emergency exists which justifies waiver of that requirement. Any such waiver shall be submitted to the designated congressional committees, as defined in section 10(a)(3)(B), at least 15 days before it takes effect, except that if the President determines that an emergency exists which prevents compliance with the requirement that the notification be provided 15 days in advance and that the provision under subsection (a)(1) or (a)(2) of personnel or assistance on a nonreimbursable basis is in the national security interests of the United States, such notification shall be provided in a timely manner but no later than 48 hours after such waiver takes effect."; and

(2) by adding at the end the following new subsection:

"(f) The Secretary of State shall ensure that goods and services provided on a reimbursable basis by the Department of Defense to the United Nations for United



Nations peacekeeping operations under this section or any other provision of law are reimbursed at the appropriate value, as determined by the Secretary of Defense.”.

(b) INITIAL REPORT.—

(1) IN GENERAL.—Not later than one year after the date of the enactment of this Act, the Representative of the United States to the United Nations shall submit to the designated congressional committees a report on all actions taken by the United States mission to the United Nations to achieve the objective described in section 7(f) of the United Nations Participation Act of 1945, as added by subsection (a)(2).

(2) DESIGNATED CONGRESSIONAL COMMITTEES DEFINED.—As used in this subsection, the term “designated congressional committees” has the meaning given such term in section 10(a)(3)(B) of the United Nations Participation Act of 1945, as added by section 501.

**SEC. 507. PROHIBITION ON USE OF FUNDS TO PAY UNITED STATES ASSESSED OR VOLUNTARY CONTRIBUTION FOR UNITED NATIONS PEACEKEEPING ACTIVITIES UNLESS DEPARTMENT OF DEFENSE REIMBURSED BY UNITED NATIONS FOR CERTAIN GOODS AND SERVICES.**

(a) IN GENERAL.—Section 10 of the United Nations Participation Act of 1945 is amended by adding after subsection (b), as added by section 503, the following new subsection:

“(c) PROHIBITION ON USE OF FUNDS TO PAY ASSESSED OR VOLUNTARY CONTRIBUTIONS FOR PEACEKEEPING ACTIVITIES UNLESS DEPARTMENT OF DEFENSE REIMBURSED FOR CERTAIN GOODS AND SERVICES.—Appropriated funds may not be used to pay any United States assessed or voluntary contribution during any fiscal year for United Nations peacekeeping activities until the Secretary of Defense certifies to the Congress that the United Nations has reimbursed the Department of Defense directly for all goods and services that were provided to the United Nations by the Department of Defense on a reimbursable basis during the preceding fiscal year for United Nations peacekeeping activities, including personnel and assistance provided under section 7 (except to the extent that the authority of subsection (b)(2) of such section to waive the reimbursement requirement was exercised with respect to such personnel or assistance).”.

(b) EFFECTIVE DATE.—The prohibition contained in section 10(c) of the United Nations Participation Act of 1945, as added by subsection (a), shall apply only with respect to fiscal years after fiscal year 1995.

**SEC. 508. LIMITATION ON USE OF DEPARTMENT OF DEFENSE FUNDS FOR UNITED STATES SHARE OF COSTS OF UNITED NATIONS PEACEKEEPING ACTIVITIES.**

(a) IN GENERAL.—(1) Chapter 20 of title 10, United States Code, is amended by inserting after section 405, as added by section 401 of this Act, the following new section:

**“§ 406. Use of Department of Defense funds for United States share of costs of United Nations peacekeeping activities: limitation**

“(a) PROHIBITION ON USE OF FUNDS FOR PAYMENT OF ASSESSMENT.—No funds available to the Department of Defense shall be available for payment of any United States assessed or voluntary contribution for United Nations peacekeeping activities.

“(b) LIMITATION ON USE OF FUNDS FOR PARTICIPATION IN PEACEKEEPING ACTIVITIES.—Funds available to the Department of Defense may be used for payment of the incremental costs associated with the participation of elements of the armed forces in United Nations peacekeeping activities only to the extent that Congress has by law specifically authorized the use of those funds for such purposes.”.

(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“406. Use of Department of Defense funds for United States share of costs of United Nations peacekeeping activities: limitation.”.

(b) EFFECTIVE DATE.—Section 406 of title 10, United States Code, as added by subsection (a), shall take effect on October 1, 1995.

**SEC. 509. CODIFICATION OF LIMITATION ON AMOUNT OF UNITED STATES ASSESSED CONTRIBUTIONS FOR UNITED NATIONS PEACEKEEPING OPERATIONS.**

(a) IN GENERAL.—Section 10 of the United Nations Participation Act of 1945 is amended by adding after subsection (c), as added by section 507, the following new subsection:

“(d) LIMITATION ON ASSESSED CONTRIBUTION WITH RESPECT TO A PEACEKEEPING OPERATION.—Funds authorized to be appropriated for ‘Contributions for International Peacekeeping Activities’ for any fiscal year shall not be available for the

payment of the United States assessed contribution for a United Nations peacekeeping operation in an amount which is greater than 25 percent of the total amount of all assessed contributions for that operation.”.

(b) **EFFECTIVE DATE.**—The limitation contained in section 10(d) of the United Nations Participation Act of 1945, as added by subsection (a), shall apply only with respect to funds authorized to be appropriated for “Contributions for International Peacekeeping Activities” for fiscal years after fiscal year 1995.

(c) **CONFORMING AMENDMENT.**—Section 404(b) of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995 (Public Law 103–236) is amended by striking paragraph (2).

#### **SEC. 510. BUY AMERICAN REQUIREMENT.**

Section 10 of the United Nations Participation Act of 1945 is amended by adding after subsection (d), as added by section 509, the following new subsections:

“(e) **BUY AMERICAN REQUIREMENT.**—No funds may be obligated or expended to pay any United States assessed or voluntary contribution for United Nations peacekeeping activities unless the Secretary of State determines and certifies to the designated congressional committees that United States manufacturers and suppliers are being given opportunities to provide equipment, services, and material for such activities equal to those being given to foreign manufacturers and suppliers.

“(f) **DESIGNATED CONGRESSIONAL COMMITTEES DEFINED.**—As used in this section, the term ‘designated congressional committees’ means—

“(1) the Committee on International Relations and the Committee on Appropriations of the House of Representatives; and

“(2) the Committee on Foreign Relations and the Committee on Appropriations of the Senate.”.

#### **SEC. 511. UNITED NATIONS BUDGETARY AND MANAGEMENT REFORM.**

(a) **IN GENERAL.**—The United Nations Participation Act of 1945 (22 U.S.C. 287 et seq.) is further amended by adding at the end the following new section:

“**SEC. 11. (a) WITHHOLDING OF CONTRIBUTIONS.**—

“(1) **ASSESSED CONTRIBUTIONS FOR REGULAR UNITED NATIONS BUDGET.**—At the beginning of each fiscal year, 20 percent of the amount of funds made available for that fiscal year for United States assessed contributions for the regular United Nations budget shall be withheld from obligation and expenditure unless a certification for that fiscal year has been made under subsection (b).

“(2) **ASSESSED CONTRIBUTIONS FOR UNITED NATIONS PEACEKEEPING.**—At the beginning of each fiscal year, 50 percent of the amount of funds made available for that fiscal year for United States assessed contributions for United Nations peacekeeping activities shall be withheld from obligation and expenditure unless a certification for that fiscal year has been made under subsection (b).

“(3) **VOLUNTARY CONTRIBUTIONS FOR UNITED NATIONS PEACEKEEPING.**—The United States may not during any fiscal year pay any voluntary contribution to the United Nations for international peacekeeping activities unless a certification for that fiscal year has been made under subsection (b).

“(b) **CERTIFICATION.**—The certification referred to in subsection (a) for any fiscal year is a certification by the President to the Congress, submitted on or after the beginning of that fiscal year, of each of the following:

“(1) The United Nations has an independent office of Inspector General to conduct and supervise objective audits, inspections, and investigations relating to programs and operations of the United Nations.

“(2) The United Nations has an Inspector General who was appointed by the Secretary General with the approval of the General Assembly and whose appointment was made principally on the basis of the appointee’s integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigation.

“(3) The Inspector General is authorized to—

“(A) make investigations and reports relating to the administration of the programs and operations of the United Nations;

“(B) have access to all records, documents, and other available materials relating to those programs and operations;

“(C) have direct and prompt access to any official of the United Nations; and

“(D) have access to all records and officials of the specialized agencies of the United Nations.

“(4) The United Nations has fully implemented, and made available to all member states, procedures that effectively protect the identity of, and prevent reprisals against, any staff member of the United Nations making a complaint



or disclosing information to, or cooperating in any investigation or inspection by, the United Nations Inspector General.

"(5) The United Nations has fully implemented procedures that ensure compliance with recommendations of the United Nations Inspector General.

"(6) The United Nations has required the United Nations Inspector General to issue an annual report and has ensured that the annual report and all other reports of the Inspector General are made available to the General Assembly without modification.

"(7) The United Nations has provided, and is committed to providing, sufficient budgetary resources to ensure the effective operation of the United Nations Inspector General."

(b) **EFFECTIVE DATE.**—Section 11 of the United Nations Participation Act of 1945, as added by subsection (a), shall apply only with respect to fiscal years after fiscal year 1995.

#### **SEC. 512. CONDITIONS ON PROVISION OF INTELLIGENCE TO THE UNITED NATIONS.**

(a) **IN GENERAL.**—The United Nations Participation Act of 1945 (22 U.S.C. 287 et seq.) is further amended by adding at the end the following new section:

"**SEC. 12. (a) CONDITIONS ON PROVISION OF INTELLIGENCE TO THE UNITED NATIONS.**—

"(1) **REQUIREMENT FOR AGREEMENT.**—The United States may provide intelligence to the United Nations only pursuant to a written agreement between the President and the Secretary General of the United Nations.

"(2) **CONTENT OF AGREEMENT.**—Any such agreement shall specify—

"(A) the types of intelligence to be provided to the United Nations;

"(B) the circumstances under which intelligence may be provided to the United Nations; and

"(C) the procedures to be observed by the United Nations—

"(i) concerning persons who shall have access to the intelligence provided; and

"(ii) to protect the intelligence against disclosure not authorized by the agreement.

"(3) **DURATION OF AGREEMENT.**—Any such agreement shall be effective for a period not to exceed one year from the date on which the agreement enters into force.

"(b) **ADVANCE NOTIFICATION TO CONGRESS.**—An agreement described in subsection (a) shall be effective only if the President has transmitted the agreement to the Committee on International Relations and the Permanent Select Committee on Intelligence of the House of Representatives and to the Committee on Foreign Relations and the Select Committee on Intelligence of the Senate not less than 30 days in advance of the entry into force of the agreement.

"(c) **DELEGATION OF AUTHORITY.**—The President may delegate the authority and assign the duties of the President under this section only to the Secretary of Defense or the Director of Central Intelligence.

"(d) **EXCEPTIONS.**—Subsection (a) shall not apply to the provision of intelligence—

"(1) that is provided only to, and for the use of, United States Government personnel serving with the United Nations; or

"(2) that is essential for the protection of nationals of the United States, including members of the United States Armed Forces and civilian personnel of the United States Government.

"(e) **RELATIONSHIP TO EXISTING LAW.**—Nothing in this section shall be construed to—

"(1) impair or otherwise affect the authority of the Director of Central Intelligence to protect intelligence sources and methods from unauthorized disclosure pursuant to section 103(c)(5) of the National Security Act of 1947 (50 U.S.C. 403–3(c)(5)); or

"(2) supersede or otherwise affect the provisions of—

"(A) title V of the National Security Act of 1947 (50 U.S.C. 413–415); or

"(B) section 112b of title 1, United States Code."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect 60 days after the date of the enactment of this Act.

## **TITLE VI—REVITALIZATION AND EXPANSION OF THE NORTH ATLANTIC TREATY ORGANIZATION**

#### **SEC. 601. SHORT TITLE.**

This title may be cited as the "NATO Revitalization and Expansion Act of 1995".

**SEC. 602. FINDINGS.**

The Congress makes the following findings:

- (1) Since 1948, the North Atlantic Treaty Organization (NATO) has helped to guarantee the security, freedom, and prosperity of the United States and its partners in the alliance.
- (2) NATO has expanded its membership on three different occasions since its founding in 1949.
- (3) The steadfast and sustained commitment of the member countries of NATO to mutual defense against the threat of communist domination played a significant role in precipitating the collapse of the Iron Curtain and the demise of the Soviet Union.
- (4) In the place of that threat, new security threats are emerging to the shared interests of the member countries of NATO.
- (5) Although these new threats are more geographically and functionally diverse and less predictable, they still imperil shared interests of the United States and its NATO allies.
- (6) Western interests must be protected on a cooperative basis without an undue burden falling upon the United States.
- (7) NATO is the only multilateral organization that is capable of conducting effective military operations to protect Western interests.
- (8) The valuable experience gained from ongoing military cooperation within NATO was critical to the success of joint military operations in the 1991 liberation of Kuwait.
- (9) NATO is an important diplomatic forum for discussion of issues of concern to its member states and for the peaceful resolution of disputes.
- (10) Admission of Central and East European countries that have recently been freed from Communist domination to NATO could contribute to international peace and enhance the security of those countries.
- (11) A number of countries, including the Visegrad countries (the Czech Republic, Hungary, Poland, and Slovakia), the Baltic states (Estonia, Latvia, and Lithuania), and Ukraine, have expressed interest in NATO membership.
- (12) In recognition of this interest, the Partnership for Peace proposal offers limited military cooperation to many European countries not currently members of NATO, but fails to establish benchmarks or guidelines for eventual NATO membership.
- (13) In particular, Poland, Hungary, the Czech Republic, and Slovakia have made significant progress toward establishing democratic institutions, free market economies, civilian control of their armed forces, police, and intelligence services, and the rule of law since the fall of their previous Communist governments.

**SEC. 603. UNITED STATES POLICY.**

It should be the policy of the United States—

- (1) to continue the Nation's commitment to an active leadership role in NATO;
- (2) to join with the Nation's NATO allies to redefine the role of the alliance in the post-Cold War world, taking into account—
  - (A) the fundamentally changed security environment of Central and Eastern Europe;
  - (B) the need to assure all countries of the defensive nature of the alliance and the desire of its members to work cooperatively with all former adversaries;
  - (C) the emerging security threats posed by the proliferation of nuclear, chemical, and biological weapons of mass destruction and the means to deliver them;
  - (D) the continuing challenges to the interests of all NATO member countries posed by unstable and undemocratic regimes harboring hostile intentions; and
  - (E) the dependence of the global economy on a stable energy supply and the free flow of commerce;
- (3) to affirm that NATO military planning should include joint military operations beyond the geographic bounds of the alliance under Article 4 of the North Atlantic Treaty when the shared interests of the United States and other member countries require such action to defend vital interests;
- (4) that Poland, Hungary, the Czech Republic, and Slovakia should be in a position to further the principles of the North Atlantic Treaty and to contribute to the security of the North Atlantic area not later than January 10, 1999 (5 years from the date of the establishment of the Partnership for Peace), and, in

accordance with Article 10 of such Treaty, should be invited to become full NATO members not later than that date, provided these countries—

- (A) meet appropriate standards, including—
  - (i) shared values and interests;
  - (ii) democratic governments;
  - (iii) free market economies;
  - (iv) civilian control of the military, of the police, and of intelligence services;
  - (v) adherence to the values, principles, and political commitments embodied in the Helsinki Final Act of the Conference on Security and Cooperation in Europe;
  - (vi) commitment to further the principles of NATO and to contribute to the security of the North Atlantic area;
  - (vii) commitment to accept the obligations, responsibilities, and costs of NATO membership; and
  - (viii) commitment to implement infrastructure development activities that will facilitate participation in and support for NATO military activities; and
- (B) remain committed to protecting the rights of all their citizens and respecting the territorial integrity of their neighbors;
- (5) that the United States, other NATO member nations, and NATO itself should furnish appropriate assistance to facilitate the transition of Poland, Hungary, the Czech Republic, and Slovakia to full NATO membership not later than January 10, 1999; and
- (6) that other European countries emerging from communist domination, in particular the Baltic states (Estonia, Latvia, and Lithuania) and Ukraine, may be in a position at a future date to further the principles of the North Atlantic Treaty and to contribute to the security of the North Atlantic area, and at the appropriate time they should receive assistance to facilitate their transition to full NATO membership and should be invited to become full NATO members.

**SEC. 604. REVISIONS TO PROGRAM TO FACILITATE TRANSITION TO NATO MEMBERSHIP.**

(a) **ESTABLISHMENT OF PROGRAM.**—Subsection (a) of section 203 of the NATO Participation Act of 1994 (title II of Public Law 103-447; 22 U.S.C. 1928 note) is amended to read as follows:

“(a) **ESTABLISHMENT OF PROGRAM.**—The President shall establish a program to assist in the transition to full NATO membership of Poland, Hungary, the Czech Republic, and Slovakia and any other European country emerging from communist domination that is designated by the President under subsection (d)(2).”

(b) **ELIGIBLE COUNTRIES.**—

(1) **DESIGNATED COUNTRIES.**—Subsection (d) of such section is amended to read as follows:

“(d) **DESIGNATION OF ELIGIBLE COUNTRIES.**—

“(1) **SPECIFIED COUNTRIES.**—The following countries are hereby designated for purposes of this title: Poland, Hungary, the Czech Republic, and Slovakia.

“(2) **AUTHORITY FOR PRESIDENT TO DESIGNATE OTHER EUROPEAN COUNTRIES EMERGING FROM COMMUNIST DOMINATION.**—The President may designate other European countries emerging from communist domination (as defined in section 206) to receive assistance under the program established under subsection (a). The President may make such a designation in the case of any such country only if the President determines, and reports to the designated congressional committees, that such country—

“(A) has made significant progress toward establishing—

- “(i) shared values and interests;
- “(ii) democratic governments;
- “(iii) free market economies;
- “(iv) civilian control of the military, of the police, and of intelligence services;
- “(v) adherence to the values, principles, and political commitments embodied in the Helsinki Final Act of the Conference on Security and Cooperation in Europe; and
- “(vi) commitment to further the principles of NATO and to contribute to the security of the North Atlantic area;
- “(vii) commitment to accept the obligations, responsibilities, and costs of NATO membership; and
- “(viii) commitment to implement infrastructure development activities that will facilitate participation in and support for NATO military activities; and



"(B) is likely, within five years of such determination, to be in a position to further the principles of the North Atlantic Treaty and to contribute to the security of the North Atlantic area."

(2) CONFORMING AMENDMENTS.—

(A) Subsections (b) and (c) of such section are amended by striking "countries described in such subsection" and inserting "countries designated under subsection (d)".

(B) Subsection (e) of such section is amended—

(i) by striking "subsection (d)" and inserting "subsection (d)(2)"; and

(ii) by inserting "(22 U.S.C. 2394)" before the period at the end.

(C) Section 204(c) of such Act is amended by striking "any other" and inserting "any country designated under section 203(d)(2)".

(c) TYPES OF ASSISTANCE.—

(1) ECONOMIC SUPPORT ASSISTANCE.—Subsection (c) of section 203 of such Act is amended—

(A) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and

(B) by inserting after paragraph (2) the following new paragraph (3):

"(3) Assistance under chapter 4 of part II of the Foreign Assistance Act of 1961 (relating to the Economic Support Fund)."

(2) ADDITIONAL ASSISTANCE.—

(A) IN GENERAL.—Subsection (f) of such section is amended to read as follows:

"(f) ADDITIONAL ASSISTANCE.—In carrying out the program established under subsection (a), the President may, in addition to the security assistance authorized to be provided under subsection (c), provide assistance to countries designated under subsection (d) from funds appropriated under the 'Nonproliferation and Disarmament Fund' account."

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) does not apply with respect to funds appropriated before the date of the enactment of this Act.

(d) DISQUALIFICATION FROM ASSISTANCE FOR SUPPORT OF TERRORISM.—Section 203 of such Act is further amended by adding at the end the following new subsection:

"(g) PROHIBITION ON PROVIDING ASSISTANCE TO FOREIGN GOVERNMENTS THAT EXPORT LETHAL MILITARY EQUIPMENT TO COUNTRIES SUPPORTING INTERNATIONAL TERRORISM.—Assistance may only be provided through the program established under subsection (a) subject to the same terms and conditions that apply under section 563 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1995 (Public Law 103-306), with respect to the making available to foreign governments of funds appropriated or otherwise made available under that Act."

(e) ANNUAL REPORT.—Section 205 of the NATO Participation Act of 1994 (title II of Public Law 103-447; 22 U.S.C. 1928 note) is amended—

(1) by inserting "annual" in the section heading before the first word;

(2) by inserting "annual" after "include in the" in the matter preceding paragraph (1);

(3) by redesignating paragraphs (1) and (2) as paragraphs (2) and (3), respectively;

(4) by inserting before paragraph (2), as so redesignated, the following new paragraph (1):

"(1) An assessment of the progress made by Poland, Hungary, the Czech Republic, and Slovakia and by any country designated by the President under section 203(d)(2) toward meeting the standards for NATO membership set forth in Article 10 of the North Atlantic Treaty, including—

"(A) an assessment of the progress of each such country toward establishing—

"(i) shared values and interests;

"(ii) democratic governments;

"(iii) free market economies;

"(iv) civilian control of the military, of the police, and of intelligence services;

"(v) adherence to the values, principles, and political commitments embodied in the Helsinki Final Act of the Conference on Security and Cooperation in Europe;

"(vi) commitment to further the principles of NATO and to contribute to the security of the North Atlantic area;

"(vii) commitment to accept the obligations, responsibilities, and costs of NATO membership; and

“(viii) commitment to implement infrastructure development activities that will facilitate participation in and support for NATO military activities; and

“(B) the commitment of each such country to protecting the rights of all its citizens and respecting the territorial integrity of its neighbors.”; and

(5) in paragraphs (2) and (3), as so redesignated, by striking “and other” and all that follows through the period at the end and inserting “and any country designated by the President pursuant to section 203(d)(2).”

(f) DEFINITIONS.—The NATO Participation Act of 1994 (title II of Public Law 103-447; 22 U.S.C. 1928 note) is amended by adding at the end the following new section:

**“SEC. 203. DEFINITIONS.**

**“For purposes of this title:**

“(1) NATO.—The term ‘NATO’ means the North Atlantic Treaty Organization.

“(2) OTHER EUROPEAN COUNTRIES EMERGING FROM COMMUNIST DOMINATION.—The term ‘other European countries emerging from communist domination’ means—

“(A) any member of the Partnership for Peace that is located—

“(i) in the territory of the former Union of Soviet Socialist Republics;

or

“(ii) in the territory of the former Socialist Federal Republic of Yugoslavia; or

“(B) Estonia, Latvia, Lithuania, Romania, Bulgaria, or Albania.

“(3) DESIGNATED CONGRESSIONAL COMMITTEES.—The term ‘designated congressional committees’ means—

“(A) the Committee on International Relations, the Committee on National Security, and the Committee on Appropriations of the House of Representatives; and

“(B) the Committee on Foreign Relations, the Committee on Armed Services, and the Committee on Appropriations of the Senate.”.

## **TITLE VII—BUDGET FIREWALLS**

**SEC. 701. RESTORATION OF BUDGET FIREWALLS FOR DEFENSE SPENDING.**

It is the sense of the Congress that so-called “budget firewalls” between defense and domestic discretionary spending should be established for each of fiscal years 1996, 1997, and 1998.



**H.R. 7—NATIONAL SECURITY REVITALIZATION ACT,  
ADMINISTRATION DEFENSE FUNDING PLAN**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON NATIONAL SECURITY,  
*Washington, DC, Thursday, January 19, 1995.*

The committee met, pursuant to call, at 10:04 a.m., in room 2118, Rayburn House Office Building, Hon. Floyd Spence (chairman of the committee) presiding.

**OPENING STATEMENT OF HON. FLOYD SPENCE, A REPRESENTATIVE FROM SOUTH CAROLINA, CHAIRMAN, COMMITTEE ON NATIONAL SECURITY**

The CHAIRMAN. I suggest we go ahead and vote and come right back.

[Recess.]

The CHAIRMAN. The committee will come to order.

Before we begin our hearing today, I would like to briefly dispense with a final organizational item that we were unable to complete in last week's organizational meeting.

The Chair would like to announce that the committee Republican and Democratic caucuses have met and selected their subcommittee chairmen, ranking members, and members.

Those selections are listed in the packet before each member here today. You have them at your desk.

The Chair asks unanimous consent that those appointments be approved.

Is there objection?

The Chair hears none.

The unanimous consent request is agreed to.

[The information follows:]

**HOUSE NATIONAL SECURITY COMMITTEE  
SUBCOMMITTEE ASSIGNMENTS FOR THE 104TH CONGRESS**

**Military Installations and Facilities Subcommittee  
(10 and 8)**

Mr. Hefley, Chairman  
Mr. McHugh  
Mr. Hostettler  
Mr. Hilleary  
Mr. Jones  
Mr. Stump  
Mr. Hunter  
Mr. Hansen  
Mr. Saxton  
Mrs. Fowler

Mr. Ortiz  
Mr. Montgomery  
Mr. Browder  
Mr. Abercrombie  
Mr. Tejeda  
Mr. Underwood  
Mr. Peterson  
Mr. Ward

**Military Personnel Subcommittee  
(9 and 7)**

Mr. Dornan, Chairman  
Mr. Buyer  
Mr. Lewis  
Mr. Watts  
Mr. Thornberry  
Mr. Chambliss  
Mr. Tiahrt  
Mr. Hastings  
Mr. Hunter

Mr. Pickett  
Mr. Montgomery  
Mr. Skelton  
Ms. Harman  
Mr. Jefferson  
Ms. DeLauro  
Mr. Ward

**Military Procurement Subcommittee  
(15 and 12)**

Mr. Hunter, Chairman  
Mr. Spence  
Mr. Stump  
Mr. Saxton  
Mr. Buyer  
Mr. Torkildsen  
Mr. Talent  
Mr. Everett  
Mr. Bartlett  
Mr. McKeon  
Mr. Lewis  
Mr. Watts  
Mr. Thornberry  
Mr. Chambliss  
Mr. Longley

Mr. Skelton  
Mr. Dellums  
Mr. Sisisky  
Mr. Evans  
Mr. Tanner  
Mr. Taylor  
Mr. Abercrombie  
Mr. Edwards  
Mr. Geren  
Mr. Peterson  
Mr. Jefferson  
Ms. DeLauro



**Military Readiness Subcommittee**  
(11 and 9)

Mr. Bateman, Chairman  
Mr. Kasich  
Mr. Cunningham  
Mrs. Fowler  
Mr. Scarborough  
Mr. Weldon  
Mr. Torkildsen  
Mr. Talent  
Mr. Everett  
Mr. Bartlett  
Mr. McKeon

Mr. Sisisky  
Mr. Spratt  
Mr. Pickett  
Mr. Evans  
Mr. Browder  
Mr. Edwards  
Mr. Tejada  
Mr. Meehan  
Mr. McHale

**Military Research & Development Subcommittee**  
(14 and 11)

Mr. Weldon, Chairman  
Mr. Hansen  
Mr. Tiahrt  
Mr. Hastings  
Mr. Kasich  
Mr. Bateman  
Mr. Dornan  
Mr. Hefley  
Mr. Cunningham  
Mr. McHugh  
Mr. Hostettler  
Mr. Hilleary  
Mr. Scarborough  
Mr. Jones

Mr. Spratt  
Mrs. Schroeder  
Mr. Ortiz  
Mr. Tanner  
Mr. Taylor  
Mr. Meehan  
Mr. Underwood  
Ms. Harman  
Mr. McHale  
Mr. Geren  
Mr. Kennedy

The CHAIRMAN. The primary order of business this morning is to receive testimony from our panel of distinguished witnesses on the question of the administration's defense funding plan. As this represents the committee's first public hearing of the 104th Congress, I think it is fitting that we directly confront the fundamental question that has characterized the defense debate for the past 2 years, namely, are we spending enough on defense to ensure that we maintain a military capability sufficient to protect and promote U.S. interests in an uncertain world?

Today, your testimony will obviously not provide a definitive answer for this important question, but rather it will allow the committee to begin working through the various components of this complex issue. Beyond the funding question lies the more fundamental and pressing issue of whether the administration's defense program, regardless of how well or fully it is funded, adequately meets the national security needs and requirements of the United States.

And as most of you know, I entered this debate with some strongly held views on this question, views developed over a lifetime of association with the military during the days of both feast and famine. My perspective has been specifically shaped in the past two years as I have watched a decline in defense spending lead to a decline in military readiness.

This committee will soon be considering legislation to implement the Republican Contract With America with its underlying premise that defense has been cut too much, too fast, at a time when military commitments around the world, controversial or not, continue to grow. While the contract is not the appropriate vehicle to address these fundamental problems, it will help to frame the ensuing debate associated with our traditional budget cycle.

To help us with these questions and work through them, we are fortunate to have with us this morning, four distinguished witnesses. Our first witness is Ms. Cindy Williams, Assistant Director of the National Security Division of the Congressional Budget Office. Following Ms. Williams, is Mr. Henry Hinton, Assistant Comptroller General for National Security and International Affairs for the General Accounting Office. Following Mr. Hinton, will be Mr. Michael O'Hanlon, senior staff member with the Foreign Policy Studies Program at the Brookings Institution. And batting cleanup is someone who is no stranger to this committee, an individual I know enjoys great respect on both sides of the aisle for his contributions and accomplishments both in government and the private sector, Norm Augustine, chairman and CEO of Martin Marietta Corp., and also a Boy Scout leader.

Mr. Augustine appears today wearing a broader hat, as representative of the Coalition for a Strong National Defense.

I welcome you all and look forward to your testimony.

Before I turn it over to the witnesses, let me recognize our distinguished ranking member, Mr. Dellums, for any opening remarks he may wish to make.

**STATEMENT OF HON. RONALD V. DELLUMS, A REPRESENTATIVE FROM CALIFORNIA, RANKING MINORITY MEMBER, NATIONAL SECURITY COMMITTEE**

Mr. DELLUMS. Thank you very much, Mr. Chairman.

Mr. Chairman and members, I welcome the opportunity to participate today in the committee's effort to understand the issues and ramifications that surround the so-called shortfall, the perceived shortfall in funding the Bottom-Up Review force. As I noted before, the demise of the Warsaw Pact and the complete evisceration of the forces of the former Soviet Union nearly eliminate the threats that occupied as much as 70 percent of our military spending during the height of the cold war. I find it incredible as we confront this issue today, that a perception remains that the challenges on the world stage, even assuming that a military assumption to them is appropriate, cannot be more than adequately met with our current expenditure levels.

Claims of a readiness shortfall and modernization crisis and force structure inadequacy seem dramatically overstated when we consider that our Nation currently spends on our military nearly as much as all other nations of the world combined spend on theirs. Put another way, Mr. Chairman, we will spend this year, 75 percent of what we were spending in fiscal 1990, and at the end of the 5-year plan, we will spend two-thirds of that 1990 figure. These are CBO figures adjusted to 1995 dollars, as contained in CBO's January 1995 analysis of the administration's future years' defense program.

What is this money for? How much more can possibly be necessary to support a force that far and away exceeds the capacity of any imaginable combination of adversaries and which is the most ready force in modern history?

Lost in the narrow, if inevitable, committee focus on defense numbers alone, is the impact that military spending has on the rest of our national priorities. How can these resources and those that some contemplate adding to this particular pot be used to improve our economy, our education system, and our infrastructure.

In short, Mr. Chairman, how can we properly prepare for the future when we fail to appreciate that the world has dramatically changed and that we further fail to fully appreciate the significance and implications of these changes that, in this gentleman's opinion, would allow us to make prudent additional reductions to our force structure and modernization programs.

While we confront the questions such as the Coalition for a Strong Defense, GAO, or Congressional Budget Office feel is most correct, in assessing efforts to fund the Bottom-Up Review defense plan, we should also ask the question, Should we accept the Bottom-Up Review assumption upon which the competing analyses necessarily are based?

I have raised the following question, Mr. Chairman, on numerous occasions over the last 2 years: Is the Bottom-Up Review a bold step into the post-cold-war world or is it merely an overly cautious step away from the cold war?

Shouldn't the Bottom-Up Review be a living, evolving, dynamic document that changes as our perceptions of the realities of the post-cold-war world come more clearly into focus, or is it simply a

static document that sits there as a Bible handed down from on high?

Should we accept the Bottom-Up Review's contention that we must be prepared to fight and win without allies in a world that is rapidly becoming more multilateral and multinational in its efforts. Two nearly simultaneous regional contingencies; this does not comport with reality?

Should we accept the Bottom-Up Review's conclusion that we need vigorous forward naval presence of aircraft carriers when other vessels and indeed other political and national involvement can substitute for that presence?

Should we accept the nuclear posture's review force structure reviews for strategic systems in a post-cold-war war environment, or can't we scale back in this area and place more resources into a nonproliferation effort? Shouldn't we acknowledge that the forces we sent into operation Desert Storm were far and away what was necessary to achieve even an overwhelming victory?

Therefore, should we be able to also acknowledge that the Desert Storm Force is not the correct model on which to build our force to meet a major regional contingency in the future?

Mr. Chairman, these are just several very significant examples that must be considered as we confront this complex issue. Such a reassessment may lead to a very different set of conclusions than those reached by a number of our witnesses before us today.

This gentleman believes that it could lead us to conclude that our crisis is not that we have too little funds to fund the Bottom-Up Review force and its modernization, but rather that the crisis is that accepting the assumptions of the Bottom-Up Review has led us to maintain too large a force and one that is improperly sized and configured, and one that would, therefore, not most effectively help us to meet the national security challenges we face in the future.

In this gentleman's opinion, these challenges will be urban and rural low-intensity conflicts, peace operations and humanitarian efforts, all of which help to defuse the possibility that we would be called to engage in a major regional contingency.

Mr. Chairman, members of the committee, I look forward enthusiastically to this debate. But I must underscore that the table appears to be set in a manner that accepts the Bottom-Up Review force structure analysis and does not explicitly challenge us to look beyond that, to look at both sides of the equation for solutions to the perceived funding problem.

Let us also look at whether we are maintaining an oversized force while we seek to determine whether further scarce national resources will be stripped from other vital programs to fill out a Bottom-Up Review force that may be excess to national security needs.

Mr. Chairman, I join you in welcoming all of our distinguished panelists and witnesses before the full committee this morning. I look forward to our search for answers to these and many other significant and important questions.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Dellums.



Before we proceed with our first witness, I would like to ask the members to hold their questions until all panelists have had an opportunity to testify.

Let's begin with Ms. Williams.

**STATEMENT OF CINDY WILLIAMS, ASSISTANT DIRECTOR, NATIONAL SECURITY DIVISION, CONGRESSIONAL BUDGET OFFICE**

Ms. WILLIAMS. Thank you, Mr. Chairman.

Mr. Dellums, members of the committee. I very much appreciate the opportunity to appear before you this morning. My plan is to make a few remarks here and then, with your permission, I would like to submit for the record the paper that we prepared for this committee and submit it to the committee this month, in lieu of a prepared statement.

The CHAIRMAN. Without objection.

Ms. WILLIAMS. Today, I intend to focus my presentation on CBO's \$65 billion estimate of a potential mismatch between plans and resources in the future years' defense program or FYDP that the Defense Department put together and submitted for 1995 through 1999.

I will also discuss the effect that the recent administration additions to defense funding, those that were made in December last year, will have in reducing this mismatch. But before I get into the details of the CBO estimate, I thought I would provide a little context to go around that.

As this hearing reflects, we all know there have been quite a few shortfall estimates over the past year of this mismatch between the FYDP funding and FYDP program. One reason there are so many different estimates is, by its very nature, judging the fit between a FYDP and its corresponding funding involves a lot of uncertainty. We don't know what the world will look like 5 years from now and the best we can do is make projections, both about things like inflation rates, and about policy decisions that will affect the cost of defense in the future.

The CHAIRMAN. Will you pull the microphone a little closer, please.

Ms. WILLIAMS. Yes, sir.

One question that comes up is whether \$65 billion is a little money or a lot of money in this context. Certainly, if you look at it as a percentage of the total amount of money there, the FYDP, which is \$1.2 trillion, it doesn't seem like a very lot. It is on the order of 5 percent of the \$1.2 trillion.

Also, if you compare it to estimates for defense plans of previous administrations, it is not a lot, some estimates for mismatching with previous defense plans have been a lot higher. But the fact is that after several years of cuts in the defense budget and under the restrictive fiscal climate we find ourselves in today, there may be less room to maneuver either by cutting programs or adding funds than there has been in the past.

Right now, the discretionary spending cap means any addition to defense spending has to be offset by equal decreases in other discretionary spending. Those caps are to remain in place through 1998.

The pressure to reduce discretionary spending further is likely to grow if Congress does pursue tax cuts or a balanced budget amendment. So under such constraints, dealing with the defense shortfall may actually be more difficult today than it has been in previous years.

Now, I want to talk about CBO's estimate. As I mentioned, the CBO estimates the administration's plans are likely to cost about \$65 billion more than the funding provided under the 1995 to 1999 FYDP. This estimate is made relative to the FYDP itself and before taking into account several of the actions that the administration has taken and planned and announced last month. I will talk about those later.

If you refer to the chart over here, which also appears in more detail in the report that was provided (on page 6 of that report), I will describe how we arrived at this estimate.

The first thing to know is that rather than taking into account all factors that might account for a mismatch, CBO focused on those factors that we believe are more likely to occur. In the paper, there is a discussion of some factors that are less likely, but I am not going to get into those much in this statement right now.

One such factor, the first you see, is pay raises for the military and for Department of Defense civilians. In early 1994, when the administration first submitted the FYDP, it included pay raises in there that were lower than those allowed under current Federal guidelines. Then for 1995, the Congress actually enacted pay raises that were larger than the administration's request.

Of course, those 1995 pay raises add to spending, not only for 1995, but for the outyears as well. Now, it is possible that in addition to the 1995 pay raise, which is already set, the Congress will decide to follow the current guidelines for pay raises in the future as well in the years 1996 through 1999, and if that happens, CBO estimates that the total 5-year pay increases could cost \$23 billion more than what the FYDP provides.

Of course, Congress and the administration ultimately will decide the size of these future pay raises. While the administration has said it will support pay raises in accordance with the guidelines for military personnel through the end of the decade, it has been silent about civilian pay.

Also, over the past 2 years, civilians have not been granted pay raises that are as large as those allowed under current guidelines, so the size of the mismatch, the \$23 billion, will actually be determined as the pay raises are enacted from year to year.

Now, the second factor that CBO took into account is inflation. When the Defense Department submitted its FYDP in February last year, Department of Defense officials acknowledged at that time, they might need to cut defense spending by \$20 billion over the 5 years in order to meet the administration's defense budget limits. According to the administration's statements at that time, this was because OMB projections of inflation had risen from the time the FYDP was built by the Defense Department until the time it was released. They didn't have time to catch up and get the new inflation factors into the FYDP.

Now, more recently, the administration has indicated that its inflation projections for the 1996 budget are likely to be lower than

last February's estimate. So this \$20 billion may, in the administration's mind, may be an overestimate of the mismatch due to inflation differences.

CBO is continuing to include this entire \$20 billion in its estimate of the mismatch simply because the new inflation figures from the administration have not come out yet.

Now, the third factor that could lead to shortfall is unanticipated cost growth in the acquisition of weapons systems. CBO's estimate for acquisition overruns during 1995 to 1999 is \$8 billion. We arrived at this figure by focusing on those weapons systems that are particularly at risk for cost growth, by which I mean, those that are still under development or that are in the early phases of procurement.

As you know, a lot of Department of Defense procurement spending goes to weapons systems that are fairly mature. For example, you wouldn't expect the Blackhawk helicopter, which has been in production since the late 1970's, to experience large amounts of cost growth in the years now. So CBO didn't include the more mature programs in its cost-growth estimates.

Instead, CBO focused on about 50 large weapons systems that are at risk for cost growth, and based on historical rates of growth for similar types of equipment, we estimated how much costs might rise for these programs.

Over the FYDP, CBO calculated that weapons costs might grow by \$8 billion. That \$8 billion is the amount included in our more likely estimate. We also used a different method for estimating that brought us to a less likely but considerably higher estimate of \$31 billion.

I want to, while I am on the subject, emphasize one point, and that is that history has indeed shown that weapons systems tend to cost substantially more than early estimates of their costs would have suggested. As a result, actual 5-year costs, once you have to pair them, will probably always be higher than the amounts you budgeted for when you initially planned out your 5-year budget.

This does not mean, however, that the Defense Department should put extra money into the budget now to handle all the unanticipated cost growth that might be seen later. As a matter of fact, you can imagine that if Department of Defense program managers did include a little extra cushion of money to handle all unanticipated cost growth, it might be the best way to turn unanticipated cost growth into an anticipated cost growth.

A fourth factor we considered here was the cost of the upcoming round of base realignments and closures, or BRAC. Administration officials indicated last year that the goal of the 1995 BRAC round would be to reduce Department of Defense's infrastructure by roughly the same amount as that in the first three rounds of BRAC combined. Yet, they included relatively little funding for the 1995 round in the FYDP.

Based on Department of Defense's experience with previous BRAC's, CBO estimates the 1995 round could add at least \$7 billion more over the 1995 to 1999 period than that included in the FYDP.

The fifth area we considered is funding for quality-of-life initiatives. You might recall that in November 1994, the administration



announced that it plans to spend an additional \$450 million a year on programs to improve the quality of life for military personnel and their families.

Those new programs would add a total of about \$2 billion to defense costs over the FYDP. Of course, they were not included in the initial FYDP.

The final factor in CBO's estimate is the cost of contingency operations, such as those in Rwanda and Haiti.

If the administration continues to use U.S. forces for these types of missions, then based on historical spending, CBO estimated it could add an additional \$6 billion to Department of Defense costs over the next 5 years. Of course, the actual costs would come out higher or lower than this, depending on the scope and number of contingency operations. If we add up the costs over here now, the costs associated with these six factors, we get a shortfall of \$65 billion over the 1995 to 1999 period.

I want to reiterate this does not include every type of potential cost pressure that might be faced but not included in the FYDP, but reflects, rather, the ones we believe are more likely to occur.

I want to switch gears for a moment and talk about the steps the administration took in December 1994 that offset some of this shortfall. If you refer to the second chart here—which is not included in the paper, by the way—I will describe some of these measures.

First of all, in the Rose Garden speech that most of you remember, President Clinton announced that he plans to request additional funding for the Defense Department, totaling \$25 billion over the period from 1996 through 2001. Now, unfortunately, CBO doesn't have access to details of any estimates for the 2000 and 2001 period. Our only detailed estimates are based on the FYDP from last year, the 1995 through 1999.

So what we had to do here was look at the effects as discussed by the administration for 1996 through 2001, but then back them up to the 1995 to 1999 period. So that \$25 billion, we think about \$10 to \$11 billion would cover costs in the period I am discussing right now, the 1995 to 1999 period.

At the same time, the administration announced plans to request a supplemental appropriation of \$2 to \$3 billion to cover the cost of recent contingency operations so that shows up as a 1995 to 1999 addition.

Secretary Perry and Under Secretary Deutch announced changes in weapons modernization programs, a collection of cuts, deferrals and so on; including cancellation of the TSSAM, tri-service standoff attack missile and a heavy restructuring of the Comanche helicopter program. The Department of Defense indicated at the time that these changes in weapons programs could reduce defense costs by \$7.7 billion over the 1996 to 2001 period, and CBO backed those estimates up again to look at the 1995 through 1999 period. And we think there is probably \$5 to \$6 billion of savings in the 1995 to 1999 period, based on the program cuts and deferrals the Pentagon plans to make.

Now, even more recently, Department of Defense officials have indicated informally that a package of program budget decisions made during development of the 1996 to 2001 FYDP, might lower



defense costs in the 1996 through 2001 period by yet an additional \$4.3 billion. Unfortunately, we have access to no details, so we are not able to back those up at all to the 1995 to 1999 period. So instead, all I can total up are the factors that I know, basically what is happening in the 1995 to 1999 period. That total comes to about \$18 to \$19 billion of adds that the administration announced they plan to make or cuts that they plan to make from the defense programs.

This would lower—if all of these cuts are made and all these adds are made—this would lower CBO's estimate of the shortfall to \$47 billion instead of the \$65 billion.

Now, I want to make clear that by discussing the shortfall, we don't necessarily mean that Congress needs to plan on adding another \$47 billion to the defense budget for the next 5 years or even needs to find \$47 billion worth of program cuts. As I mentioned before, there are some factors making up our estimate that could change again, for example, inflation.

Also, the Congress could make policy decisions that affect other parts of our estimate like deciding to limit pay raises for Department of Defense civilian workers. Also, the unanticipated weapons cost growth is probably best handled by trying to contain it rather than by providing additional budget moneys in case it develops. Of course, one thing that will add to the mismatch here is if we insert additional requirements that must be paid for with money not included there.

I think I will end my remarks here and hold anything further for the questions.

The CHAIRMAN. Thank you, ma'am.

[The prepared statement of Ms. Williams follows:]

# **CBO TESTIMONY**

Statement of

Dr. Cindy Williams  
Assistant Director  
National Security Division  
Congressional Budget Office

Before the

Committee on National Security  
U.S. House of Representatives

January 19, 1995



**CONGRESSIONAL BUDGET OFFICE**  
SECOND AND D STREETS, S.W.  
WASHINGTON, D.C. 20515

WILLIAMS

Thank you, Mr. Chairman, Mr. Dellums, and members of the committee.

I appreciate the opportunity to appear before you this morning. I have a few remarks I would like to make here. Then, with your permission, I would like to submit for the record the paper that we prepared for this committee and released this month, in lieu of a prepared statement.

Today, I will focus my remarks on CBO's \$65 billion estimate of a potential mismatch between plans and resources in the Future Years Defense Program, or FYDP, for 1995-1999. I will also discuss the effect that recent Administration additions to defense funding will have in reducing that mismatch. Before I get into the details of our estimate, I would like to provide some context.

As this hearing reflects, there have been quite a few shortfall estimates prepared by government agencies and other organizations this year. One reason there are so many different estimates is that by its very nature, judging the fit between a five-year defense plan and its corresponding funding embodies a lot of uncertainty. We do not know what the world will look like five years from now, and the best we can do is to make some projections about it and about policy decisions that will affect the costs of defense.

One question that comes up is whether \$65 billion is a large or a small shortfall. It turns out that \$65 billion is only about 5 percent of the \$1.2 trillion of funding for the FYDP. In comparison to estimates for the defense plans of previous administrations, the mismatch is not large. But after several years of cuts to the defense budget, and under the restrictive fiscal climate we find ourselves in, there may be less room to maneuver—either by cutting programs or adding funds—than there was in the past. Right now the discretionary spending caps mean that any addition to defense spending has to be offset by a decrease in other discretionary spending or an increase in revenues—and those caps remain in place through 1998. And of course the pressure to reduce discretionary spending further is likely to grow if the Congress pursues tax cuts or a Balanced Budget Amendment. Under such tight constraints, dealing with a defense shortfall may be more difficult today than it has been in the past.

Now let me talk about CBO's estimate. CBO estimates that the Administration's plans are likely to cost about \$65 billion more than the funding provided under the 1995-1999 FYDP. This estimate is relative to the FYDP itself, before taking into account several actions taken by the Administration last month--which I'll talk about later. If you will refer to Chart 1 to your (right), which also appears in more detail on page 6 of CBO's paper, I will describe how we arrived at this estimate.

First of all, rather than coming up with a worst-case estimate that included every possible area of cost growth, CBO focused on those factors that we believe are most likely to occur.



One such factor is pay raises for the military and for Defense Department civilians. In early 1994, when the Administration submitted the FYDP, it included pay raises that were lower than those allowed under current federal guidelines. For 1995, the Congress enacted pay raises that were larger than the Administration's request (although still not up to the guidelines for civilian personnel). [Military personnel received a 2.6 percent increase while civilians got a 2.0 percent across-the-board raise and about one-third of the scheduled locality pay adjustment]. Of course, those 1995 pay raises add to spending not only in 1995, but in future years as well. Now if in addition the Congress decides to follow current guidelines for both military and civilian personnel in each year from 1996 through 1999, then CBO estimates that the total five-year pay increases could cost \$23 billion over and above what the FYDP provides.

Of course, the Congress and the Administration ultimately decide the size of pay raises. While the Administration has said it will support pay raises in accordance with the guidelines for military personnel through the end of the decade, it's been silent about civilian pay. Also, over the past two years, civilians have not been granted pay raises as large as those allowed under current guidelines. So the actual size of the mismatch here will be determined as the pay raises are enacted year by year.

The second factor that CBO took into account is inflation. When the defense plan was introduced last February, DoD officials acknowledged that they might need to cut defense spending by \$20 billion over the five-year period to meet the Administration's defense budget limits. According to the Administration, this was because OMB's projections of inflation had risen from the time the FYDP was built to the time it was submitted to the Congress last February. More recently, the Administration has indicated its inflation projections for the 1996 budget are likely to be lower than last February's estimates, although they will still be higher than those used to build the FYDP. Until those new inflation projections are released, CBO continues to include this \$20 billion figure in its estimate of a mismatch.

A third factor that could lead to a shortfall is unanticipated cost growth in the acquisition of weapon systems. CBO's estimate for acquisition overruns during 1995 to 1999 is \$8 billion. We arrived at this figure by focusing on those weapon systems that are particularly at-risk for cost growth: namely, those that are still under development or are in the early stages of production. As you know, a lot of DoD's procurement spending goes to weapon systems that are fairly mature. For example, you would not expect the Blackhawk helicopter, which has been in production since the late 1970s, to experience further increases in cost. CBO did not include the more mature programs in its cost growth estimates.

Instead, CBO focused on about 50 large weapon systems that are more at risk for cost growth. Based on historical rates of cost growth for similar types of equipment, we estimated how much costs might rise for these programs. Over the five-year period, CBO calculated that weapons costs might grow by \$8 billion. Using a more pessimistic approach to estimating, CBO found that unanticipated growth could reach as high as \$31 billion, but such high growth would be less likely.



I would like to emphasize one point here. History has shown that weapon systems tend to cost substantially more than early estimates of their cost would have suggested. As a result, actual five-year costs will probably always be higher than a five-year budget reflects. But this does not mean that the Defense Department should put extra money into the budget now to handle all the unanticipated cost growth that might emerge later. In fact, you can imagine that if DoD program managers included a cushion of money in their budgets to handle all unanticipated cost growth, it might just guarantee that weapons costs would rise.

A fourth factor we considered was the cost of the upcoming round of base realignments and closures, or BRAC. Administration officials indicated last year that the goal of the 1995 BRAC round would be to reduce DoD's infrastructure by roughly the same amount as that in the first three base closure rounds combined. Yet it included relatively little funding for the 1995 round in the FYDP. Based on DoD's experience with previous BRACs, CBO estimates that the 1995 BRAC round could add at least \$7 billion more in costs over the 1995-1999 period than were included in the FYDP.

The fifth area we considered is funding for quality-of-life initiatives. You may recall that in November 1994, the Administration announced that it plans to spend an additional \$450 million a year on programs to improve the quality of life for military personnel. Those new programs would add a total of about \$2 billion to defense costs over the five-year period.

The final factor in CBO's estimate is the cost of contingency operations such as those in Rwanda and Haiti. If the Administration continues to use U.S. forces for these types of missions, then based on historical spending, CBO estimates it could add \$6 billion to DoD's costs over the next five years. Of course, actual costs would be higher or lower than this, depending on the scope and number of contingency operations.

If we add up the costs associated with these six factors, we get a shortfall of \$65 billion over the 1995-1999 period. I want to reiterate that this does not include every possible type of cost pressure that DoD might face, but does reflect the ones we believe are more likely to occur.

Now I would like to switch gears and talk about the steps the Administration took in December 1994 that offset some of this shortfall. If you will refer to Chart 2 to your right, I will describe these measures. First, President Clinton announced that he plans to request additional funding for the Defense Department, totaling \$25 billion over 1996 through 2001. About \$10 billion to \$11 billion of that total would come during 1995 to 1999, the time period of CBO's shortfall estimate. The Administration also announced plans to request a supplemental appropriation of \$2 billion to \$3 billion this year to cover the cost of recent contingency operations.

Secretary Perry and Deputy Secretary Deutch also recently announced changes in weapons modernization programs—including cancellation of TSSAM, the Tri-Service Standoff Attack Missile and a massive restructuring of the Comanche helicopter program. DoD indicates that these changes in weapons programs would reduce defense costs by \$7.7 billion over the 1996-2001 period; CBO estimates that \$5 billion to \$6 billion of that amount would fall during the 1995-1999 period. Even more recently, DoD officials have indicated that a package of program budget decisions made during development of the 1996-2001 FYDP might lower defense costs in that period by an additional \$4.3 billion. But the details of these changes will not be available until the Administration submits its new budget proposal next month.

The combined effects of these actions would reduce CBO's estimate of a mismatch by at least \$18 billion to \$19 billion (more if we include the effects of the \$4.3 billion reported reductions due to program budget decisions). This lowers our estimate to about \$47 billion over the five-year period. Other factors might reduce this estimate even further.



Now I want to make clear that by pointing out this potential shortfall, we do not necessarily mean that the Congress needs to plan on adding another \$47 billion to the defense budget for the next five years, or even finding \$47 billion worth of program cuts.. As I mentioned before, some factors that make up our estimate could change again, for example, inflation. Also the Congress could make policy decisions that affect other parts of our estimate, like deciding to limit pay raises for DoD's civilian workers. And unanticipated weapons cost growth is probably best handled by trying to contain it rather than by providing additional budget monies in case it develops. Of course, one thing that will add to the mismatch rather than alleviate it is to insert additional requirements that must be paid for with money not yet included in the budget.

I would like to conclude by talking about some of the ways that the Congress and the Administration can use to manage this likely mismatch between plans and resources. One way, of course, is to increase the defense budget. But as you know, such an increase would not be free; under current budget rules, any increases for defense would have to be offset dollar for dollar with cuts to nondefense discretionary programs. Even the \$25 billion package of defense adds that the Administration announced in December will have to be offset through 1998 by reductions in other discretionary categories.

A second approach to closing the gap that some Members of Congress have been discussing is to narrow the Defense Department's responsibilities by relieving it of what some are calling "nontraditional" missions, for example, environmental activities, drug interdiction, or dual-use technology programs. The Congressional Research Service identified about \$12 billion to \$13 billion in the 1994 defense budget for such programs, so the amounts over the five-year period might total about the amount needed to close the gap. But of course if the Congress does choose to transfer some of these responsibilities away from DoD, they will presumably still show up somewhere in the federal budget—unless, as some people argue, the Administration and the Congress decide to drop them entirely once the Defense Department is no longer responsible for them.

A third way to address the mismatch is to learn how to do business more efficiently, for example, by reforming DoD's acquisition process as stipulated in the acquisition streamlining law passed by the Congress last year. In fact, the Administration assumed that during 1995, \$315 million worth of savings would materialize in defense programs because of planned acquisition reform measures. However, previous attempts at procurement reform have not resulted in substantial savings. It is difficult to say just how much money DoD will actually save from these efforts. Another step the Administration could take to lower DoD's cost of doing business would be to reduce its infrastructure--the system of bases, facilities, and civilian personnel that support and maintain U.S. forces. This, of course, is the aim of the upcoming BRAC round.

Finally, the Congress and the Administration could address DoD's potential shortfall by cutting back on the number of military forces and its weapons modernization programs, or by accepting lower levels of military readiness. Reducing some types of military capability is certainly one way to lower defense costs.



With that, I conclude my oral statement and I look forward to answering any questions you may have.

# **CBO PAPERS**

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**AN ANALYSIS OF THE  
ADMINISTRATION'S FUTURE  
YEARS DEFENSE PROGRAM  
FOR 1995 THROUGH 1999**

**January 1995**



**CONGRESSIONAL BUDGET OFFICE  
SECOND AND D STREETS, S.W.  
WASHINGTON, D.C. 20515**

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## NOTES

Unless otherwise indicated, all years referred to in this paper are fiscal years.

Numbers in the text and tables may not add to totals because of rounding.

Unless otherwise indicated, all costs are expressed in billions of current dollars of budget authority.

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## PREFACE

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For at least the past decade, mismatches have often occurred between plans for the military forces (both personnel and equipment) that Administrations proposed to field and the financial resources available to support those forces. Recent studies by the General Accounting Office and other organizations have argued that the same circumstances apply to the Administration's Future Years Defense Program covering the 1995-1999 period.

At the request of Congressmen Floyd D. Spence and Ronald V. Dellums, Chairman and Ranking Minority Member of the House Committee on National Security respectively, this Congressional Budget Office (CBO) paper analyzes the factors that could lead to a near-term mismatch between defense plans and budget resources. It also addresses the long-term budgetary implications of modernizing the Bottom-Up Review force structure. Three related CBO memorandums ("The Costs of the Administration's Plan for the Air Force Through the Year 2010," "The Costs of the Administration's Plan for the Army Through the Year 2010," and "The Costs of the Administration's Plan for the Navy Through the Year 2010") present CBO's estimates of the Administration's plan for each military department. In keeping with CBO's mandate to provide objective, nonpartisan analyses, this paper makes no recommendations.

Rachel Schmidt of CBO's National Security Division prepared the analysis under the supervision of Cindy Williams, R. William Thomas, and Neil M. Singer. The paper draws on two earlier assessments of the Administration's Future Years Defense Program by Lane V. Pierrot and Michael A. Miller.

A number of other CBO staff made important contributions. Amy Belasco conducted much of the research on the centralization of the Department of Defense's operation and maintenance activities. Amy Plapp estimated the cost of military and civilian pay raises and the savings associated with lower levels of civilian personnel. William P. Myers analyzed the data on annual growth in total costs of weapon systems for which selected acquisition reports are submitted to the Congress. Estimates of the long-term costs for the military services were prepared by Ivan Eland, Frances Lussier, and Lane Pierrot. Other components of CBO's long-term cost estimates were prepared by Ellen Breslin Davidson, Victoria Fraider, Wayne Glass, Raymond Hall, David Mosher, William Myers, Amy Plapp, and Rachel Schmidt. Kent Christensen, Wayne Glass, James Horney, Philip Joyce, David Mosher, and Lisa Siegel also provided valuable assistance. The author wishes to thank Amy Belasco, James L. Blum, Deborah Clay-Mendez, Ivan Eland, Frances Lussier, Michael Miller, William Myers, and Lane Pierrot for their helpful comments on earlier drafts. Richard L. Fernandez reviewed the paper for accuracy.

Leah Mazade edited the paper, with assistance from Christian Spoor.  
Judith Cromwell prepared it for publication.

Robert D. Reischauer  
Director

January 1995



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## INTRODUCTION AND SUMMARY

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The Future Years Defense Program (FYDP) is a classified document that shows how current and future defense spending would be allocated among the combat and support elements of U.S. military forces. As the term is used here, it reflects the Administration's planned spending priorities for the Department of Defense (DoD) for fiscal years 1995 through 1999. For at least the past decade, there has often been a mismatch between the force structure (the number of military personnel, aircraft, ships, tanks, and other equipment) that an Administration proposes to field and the financial resources available to support those forces. Several analysts argue that a similar mismatch exists in the current FYDP.

The Congressional Budget Office (CBO) has been asked on several occasions over the past year to analyze the fit between proposed levels of defense spending and the Administration's plan. In testimony before the House Armed Services Committee in March 1994, CBO stated that although the Administration's most recent plan was subject to certain risks, its blueprint for defense spending seemed roughly sufficient to support the military forces envisioned in the Bottom-Up Review through 1999—the last year of the FYDP.<sup>1</sup> In an April 1994 analysis, CBO outlined two clear risks to the Administration's plan: that inflation would drive up pay and other defense costs and that DoD would not be able to reduce its infrastructure as quickly as it had planned.<sup>2</sup> Since those analyses were released, the Congress has approved higher military and civilian pay raises for 1995 than those included in the Administration's budget and made plans to reduce overall levels of discretionary spending (a category that includes most of the defense budget) over the next four years. It has also become clear that the Administration will need additional resources to finance a sizable round of base closures and realignments in 1995 if it hopes to reduce costs for defense infrastructure. The combination of these factors as well as recent estimates of the magnitude of DoD's potential shortfall have reignited debate over the size of the defense budget. This paper, which is a continuation of CBO's earlier fiscal analyses, aims to provide information for those discussions.

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1. Congressional Budget Office, "Planning for Defense: Affordability and Capability of the Administration's Program," CBO Memorandum (March 1994).
  2. See Chapter 3 in Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 1995* (April 1994).

### Which Shortfall?

In the current debate, the term "shortfall" has been used to refer to different things. For instance, the word has been used to describe estimates made by the General Accounting Office (GAO) on the extent of "overprogramming" in the Administration's FYDP if defense costs grow or if anticipated savings do not materialize.<sup>3</sup> Alternatively, when Senate Armed Services Committee Chairman Sam Nunn introduced the 1995 defense authorization bill, he included Congressional actions in his accounting of a budget shortfall—notably, cuts in discretionary budget authority specified by the Concurrent Resolution on the Budget for fiscal year 1995.<sup>4</sup>

Those two usages of "shortfall" reflect two sets of pressures on national defense spending (see Figure 1). Because of concern about the size of the federal budget deficit, the Congress has instituted strict caps on discretionary spending through 1998. The combination of those caps, new cuts in discretionary spending, and competition with nondefense programs limits the real (inflation-adjusted) amount of money available for defense through the remainder of this decade. At the same time, many factors could boost defense costs above those budgeted in the FYDP—factors such as higher-than-anticipated inflation, pay raises, and growth in costs for weapon systems. In relation to GAO's estimate, shortfall refers only to the gap induced by rising defense costs. Senator Nunn includes factors that affect both the supply of and demand for resources.

Although this paper includes a discussion of current restrictions on federal spending, it focuses primarily on the demand side of the equation. In CBO's usage, a defense shortfall includes effects of some events, such as military and civilian pay raises granted by the Congress for 1995, that have already changed the costs of the plan that the Administration presented in February 1994. Other factors could raise defense costs in future years of the FYDP as well. But CBO's discussion of the shortfall concentrates on those risks that are most likely to occur.

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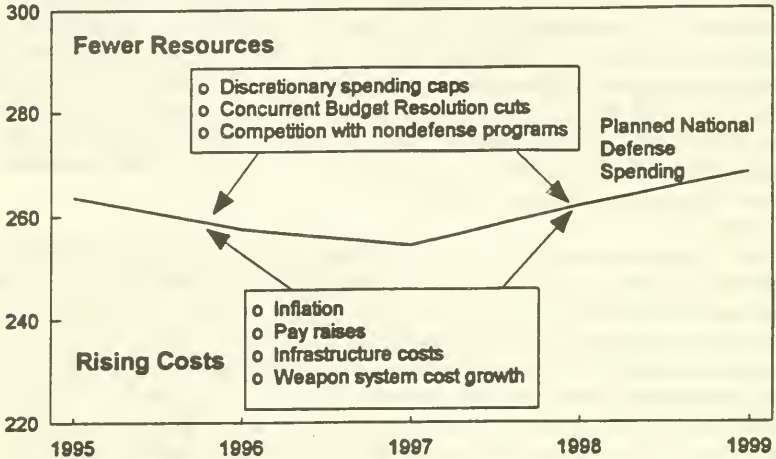
3. General Accounting Office, "Future Years Defense Program: Optimistic Estimates Lead to Billions in Overprogramming," GAO/NSIAD-94-210 (July 1994).

4. *Congressional Record*, June 22, 1994, p. S7423.



FIGURE 1. PRESSURES ON THE ADMINISTRATION'S PLAN FOR NATIONAL DEFENSE SPENDING, 1995-1999

Billions of Dollars of Budget Authority



SOURCE: Congressional Budget Office.

### Measuring a Shortfall

Many participants in the current debate depict a budget shortfall as one specific value. But some factors that could contribute to a shortfall are more likely to occur than are others. For example, the Administration's current estimate is that inflation will average 3 percent over the 1995-1999 period. It could run higher, however, and therefore FYDP shortfalls resulting from inflation could emerge. Also a possibility is that inflation might prove to be lower than projected, which would generate lower defense costs.

Studies that attempt to estimate an overall shortfall for the defense budget typically add factors whose likelihoods differ significantly. In 1995, for example, DoD will face higher costs for military and civilian pay raises than those included in the FYDP, and it is likely to face higher costs for pay raises in 1996 through 1999 as well. But judging from history, overall increases or decreases in weapons costs from year to year are highly uncertain. Adding a single allowance for average cost growth ignores the uncertainty associated with those different kinds of estimates.

For some types of defense programs, the Administration would probably change its plan if costs appeared too daunting. For example, if the costs of cleaning up defense facilities run higher than expected, DoD may defer some environmental efforts until after the FYDP period rather than keep cleanup plans in place at the expense of force structure or readiness. Likewise, some modernization programs will probably be stretched out or canceled if the costs of weapon systems rise. Thus, projected shortfalls can be lessened through administrative decisions, although strictly speaking, such actions reduce military capability relative to the Administration's original plans.

### How Big a Shortfall?

CBO has concluded that the Administration's planned force structure, level of operations, and modernization programs are likely to cost about \$65 billion more than the funding provided in the FYDP, which translates into a shortfall of about 5 percent for the 1995-1999 period. That calculation takes into account only those factors that have already changed or those risks that are likely to occur—for example, inflation at rates above those originally projected (approximately equal in value to DoD's reported future adjustments of \$20 billion, which are discussed below), larger military and civilian pay raises than those included in the Administration's plan, higher costs for the 1995 round of base realignments and closures, and higher costs for weapon systems (see Table 1). If CBO includes factors that are less certain, DoD's shortfall could be more than \$100 billion from 1995 through 1999, or about 9 percent of planned funding. Note that those estimates do not include all possible areas of cost growth—for example, rising costs for health care provided to service members, their dependents, and military retirees.

CBO's \$65 billion estimate was made prior to three recent actions by the Administration that would offset part of that shortfall. First, the President announced on December 1, 1994, that he planned to seek an additional \$25 billion for defense over the 1996-2001 period. Of that amount, \$10 billion would be added during the 1996-1999 period covered in CBO's analysis. (The remaining \$15 billion would be spent in the years beyond the current FYDP.) The \$10 billion increase is sufficient to cover the cost of pay raises for military personnel under current guidelines and programs designed to improve their quality of life. Second, the Administration announced that it would seek a supplemental appropriation of more than \$2 billion for fiscal year 1995 to replace funds spent for contingency operations such as the one in Haiti. Third, on December 9, 1994, Secretary of Defense William Perry announced cuts to weapons modernization programs totaling \$7.7 billion over the 1996-2001 period. Approximately \$6 billion of that amount would affect the period

covered by CBO's analysis. Together, these three measures would reduce CBO's estimate of the shortfall to around \$47 billion, or 4 percent of total planned spending over the 1995-1999 period. Administration officials contend that their inflation projections (which are due to be released in February 1995) would lower CBO's estimate still further. The Administration may also take other actions to offset rising defense costs, such as making additional cuts in DoD's level of civilian personnel.

Mismatches between plans and resources in the defense area are not a new phenomenon. Indeed, CBO, GAO, and other organizations have long analyzed the fiscal implications of defense plans for that very reason. By some estimates, the Reagan Administration's FYDP for the 1988-1992 period was underfunded by \$325 billion—a shortfall in excess of 20 percent.<sup>5</sup> In 1989, GAO projected that the cost of the Bush Administration's defense plan for the 1990-1994 period could have surpassed planned spending by \$150 billion.<sup>6</sup> In a 1991 memorandum, CBO noted that the costs of maintaining and modernizing the base force, as developed by the Bush Administration, could have exceeded its spending plan by several tens of billions of dollars.<sup>7</sup> In a July 1994 report, GAO argued that the current FYDP could be overprogrammed by more than \$150 billion.<sup>8</sup> The magnitude of the defense mismatch is always a topic of debate; its existence at some level, however, appears to be endemic across Administrations.

Is 5 percent of planned five-year spending a large shortfall? On the one hand, \$65 billion is not large in comparison with shortfalls estimated for some past defense plans, and it may be a manageable amount. Opportunities for reducing defense costs may still exist within DoD's budget: for example, the department could continue to cancel or scale back some weapons modernization programs or consolidate some support activities. Portions of DoD's operation and maintenance (O&M) activities are not tied directly to

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5. Statement by Senator Sam Nunn in August 1986 cited in David Morrison, "Downhill Slide," *National Journal* (February 21, 1987), pp. 412-417. The estimate of \$325 billion appears to have been based on a sizable drop in Administration budget requests for defense with no corresponding cuts in major weapons programs and little change in force structure. See Kevin Lewis, *National Security Spending and Budget Trends Since World War II*, N-2872-AP (Santa Monica, Calif.: RAND, June 1990), p. 61.
  6. Statement of Charles A. Bowsber, Comptroller General of the United States, General Accounting Office, before the Senate Armed Services Committee, May 10, 1989.
  7. Congressional Budget Office, "Fiscal Implications of the Administration's Proposed Base Force," CBO Memorandum (December 1991).
  8. General Accounting Office, "Future Years Defense Program."

**TABLE 1. POTENTIAL INCREASES IN DEPARTMENT OF DEFENSE COSTS, FISCAL YEARS 1995-1999 (In billions of current dollars of budget authority)**

Item	1995	1996	1997	1998	1999	Total, 1995- 1999	Percentage of Total Funding
Administration's Plan	252	243	240	247	253	1,236	100
<b>Definite Areas of Cost Growth</b>							
Pay Raise Effective in 1995	1	1	1	1	1	6	a
<b>Likely Areas of Cost Growth</b>							
Pay Raise Costs, 1996-1999 <sup>b</sup>	0	1	3	5	7	17	1
DoD's Future Adjustments <sup>c</sup>	0	6	5	5	3	20	2
Estimates of Weapon System Cost Growth <sup>d</sup>	e	1	1	2	3	8	1
Net Costs of a Larger BRAC Round in 1995 <sup>f</sup>	0	1	4	2	0	7	1
Quality-of-Life Adjustments <sup>g</sup>	0	h	h	h	h	2	a
Contingency Operations <sup>i</sup>	1	1	1	1	1	6	a
Total, Definite and Likely Areas of Cost Growth	2	13	17	18	16	65	5

(Continued)

TABLE 1. CONTINUED

Item	1995	1996	1997	1998	1999	Total, 1995- 1999	Percentage of Total Funding
<b>Less Certain Areas of Cost Growth</b>							
Additional Costs of a More Pessimistic Estimate of Weapon System Cost Growth <sup>j</sup>	k	k	k	k	k	24	2
Environmental Cost Growth <sup>l</sup>	k	k	k	k	k	20	2

SOURCE: Congressional Budget Office.

NOTES: The estimate of a \$65 billion shortfall over the 1995-1999 period reflects the combined effects of factors that CBO believes are likely to occur: higher military and civilian pay raises, DoD's reported future adjustments related to changes in inflation assumptions, growth in the cost of weapon systems, additional costs for the 1995 round of base realignments and closures, DoD's planned spending for quality-of-life improvements, and the cost of contingency operations. If less certain factors are included (more pessimistic estimates of weapon systems cost growth and environmental cleanup efforts), DoD's shortfall could total more than \$100 billion. Note that these estimates do not include all possible areas of cost growth, such as higher costs for military health care, nor do they reflect all compensating adjustments that the Congress and the Administration may pursue, such as the Administration's recent announcement that it plans to increase defense spending by \$25 billion over the 1996-2001 period and request a 1995 supplemental appropriation of more than \$2 billion for contingency operations.

BRAC = Base Realignment and Closure Commission.

- a. Less than 1 percent.
- b. Estimated cost of providing military and DoD civilian pay raises over the 1996-1999 period is equal to available Administration projections of the employment cost index minus 0.5 percent plus civilian locality pay adjustments.
- c. Future adjustments that the Administration included in its 1995-1999 Future Years Defense Program. The five-year total is related to assumptions about inflation that were later projected by the Administration to be higher than those used to develop the defense plan. According to Administration officials, inflation projections due to be released in February 1995 could substantially lower this cost.
- d. Growth in procurement and in research, development, test, and evaluation (RDT&E) costs of high-risk major weapon systems, assuming that costs rise by rates consistent with those observed for similar platform types. Computed as average annual rates.
- e. Because DoD planners had relatively up-to-date information about the status of high-risk programs when they developed their budget estimates for 1995, CBO assumes that program managers will be able to handle unanticipated cost growth in that year through relatively minor changes to program plans.
- f. Estimated net increase in costs needed to hold a round of base realignments and closures beginning in 1995 that is approximately the same size as the combination of those that occurred in 1988, 1991, and 1993.
- g. Plan announced by Defense Secretary William Perry in November 1994 that the Administration intends to add \$450 million per year beginning in 1996 to increase living allowances for service members in high-cost areas, raise basic allowances for quarters, upgrade housing, and improve community and family support programs.
- h. Less than \$500 million.
- i. Incremental cost of DoD's involvement in contingency operations such as those in Somalia, Rwanda, and Haiti.
- j. Additional growth in procurement and RDT&E costs of high-risk major weapon systems, assuming that costs rise by rates consistent with those observed for similar platform types over their entire development and production cycles.
- k. Annual detail not provided.
- l. Growth in environmental costs (other than BRAC) if DoD has underestimated the costs of its programs, as it has in the past.



military readiness, and savings may be found in those areas. And given that the military foes that the United States now faces are not as formidable as was the former Soviet Union, it may be possible to accept a higher degree of risk in terms of U.S. defense capabilities. Accepting that higher risk may become more likely if the Congress decides that it would prefer to dedicate those defense resources to lowering the federal budget deficit or financing other nondefense priorities such as crime initiatives or welfare and health care reforms.

On the other hand, DoD has already experienced many years of budget cuts and may therefore have less flexibility to face further reductions. Since the mid-1980s, Administrations and the Congress have reduced spending for procurement and cut the number of military personnel as the primary means of lowering defense costs. Now that most of those cutbacks are well under way or already completed, DoD must focus on reducing other types of costs such as infrastructure—the system of bases, facilities, and civilian personnel that supports combat forces. But it takes time and money to close bases and facilities, and it may therefore be hard to realize savings quickly from cuts to infrastructure. Under current circumstances, a \$65 billion shortfall may be harder to deal with than it would have been in previous years.

If sizable defense shortfalls have existed under previous Administrations, why is the current debate so heated? Perhaps one reason is today's budget climate: concern about the size of the federal deficit has made the implications of higher defense costs more apparent than in the past and, as a result, more contentious politically. Caps on discretionary spending imposed through 1998 will require real reductions in combined appropriations for defense, international, and domestic programs. If defense costs rise and the Congress chooses to increase defense appropriations, domestic and international discretionary programs will have to be cut dollar for dollar.

### Causes of the Shortfall and Recent Actions That Will Affect Its Size

When the FYDP was introduced, the Secretary of Defense stated that he might need to cut spending by \$20 billion over the 1995-1999 period to meet the Administration's defense budget limits. That value equals the higher costs that result under projections of inflation more recent than those used to create the FYDP. When the Administration proposed its budget for fiscal year 1995 in February 1994, some defense officials held out the hope that inflation would decline, which would mitigate the need for cuts. But the risk of higher inflation has not gone away—available projections of future inflation continue to exceed those underlying the FYDP. Therefore, it is likely that

some changes will be necessary. The exact magnitude of the shortfall may vary, depending on whose inflation projections one uses.

Costs of pay raises for military and civilian personnel are also higher than presumed in the FYDP. When the Administration developed the 1995-1999 plan, it assumed that it could hold pay raises below what they would be under current guidelines. But the Congress has granted military and civilian personnel pay raises for 1995 that are, on average, 1 percentage point higher than what was included in the FYDP, and DoD officials have stated that they plan to propose military pay raises that follow current guidelines through the remainder of the decade. CBO estimates that pay raises granted for 1995 combined with higher raises from 1996 through 1999 would cost about \$23 billion more than is estimated in the FYDP. Pay raises granted for military and civilian personnel for 1995 account for about \$6 billion of that total. Under available Administration projections of the employment cost index (ECI) and guidelines set by current law, future raises for military personnel would add \$6 billion to costs, and those for civilian personnel would total more than \$11 billion (\$8 billion from adjustments designed to narrow the gap between federal and local pay scales). Given, however, that over the past two years, the President and the Congress have not granted pay raises as large as those allowed under federal guidelines, the \$23 billion estimate may overstate the cost of pay raises somewhat. Similarly, Administration projections of the ECI for 1996 are likely to be revised downward, which would also lower CBO's estimate.

Another cost risk relates to the scope and pace of cuts to defense infrastructure. Funding for the bases and support activities that make up that infrastructure is found primarily in O&M appropriations, which also finance many activities related to military readiness. Some analysts believe that if DoD is unable to reduce infrastructure costs as quickly as planned, funding for military readiness may suffer.

Historically, roughly half of DoD's operating costs have varied with force levels; the rest have remained relatively fixed—much like business overhead costs that do not change quickly in response to sales volume.<sup>9</sup> The Administration's FYDP plans a total of \$26 billion in O&M cuts over the 1995-1999 period relative to the 1994 level. If past relationships hold true today, roughly half of those cuts can be attributed to force reductions under the Bottom-Up Review, and the remainder may be ascribed to expected savings from cuts to infrastructure, among other factors. If those savings do

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9. CBO, *An Analysis of the President's Budgetary Proposals*, pp. 33-34, and "Planning for Defense," pp. 14-16.

not materialize as quickly as the Administration has planned, its FYDP could face upward pressure on costs.

DoD could achieve infrastructure savings by conducting a large round of base closures beginning in 1995 under the framework of the Base Realignment and Closure (BRAC) Commission. But closing facilities and separating employees from the defense workforce also costs money in the near term, and the Administration included relatively little funding in its FYDP for the 1995 round of base realignments and closures. Policy statements by defense officials suggest that the goal of that round is to reduce DoD's total plant replacement value by 15 percent—roughly equivalent to reductions from the 1988, 1991, and 1993 rounds combined. The FYDP, however, includes less than \$3 billion for the up-front costs of the next BRAC round during the 1995-1999 period. By comparison, if funding for the first three rounds had been phased to coincide with the 1995 round, DoD would have budgeted about \$7 billion more for their combined costs than is included in the FYDP, net of expected savings.

Some Members of Congress have expressed interest in delaying the 1995 BRAC round or reducing it in scope, but in general the Congress appears to support pursuing a sizable round in 1995. In April 1994, Congressman James Hansen introduced an amendment to the defense authorization bill that would have delayed the 1995 round for two years. Senator Dianne Feinstein introduced a parallel bill in May 1994. But Congressman Hansen's amendment was defeated overwhelmingly, and Senator Feinstein's bill never reached the Senate floor.

The costs of developing and producing some weapons will undoubtedly rise during the remainder of the decade, but precisely what effect that increase will have on procurement and on research, development, test, and evaluation (RDT&E) budgets is hard to predict. Numerous studies have shown that the costs of major weapon systems are routinely underestimated. Even after one adjusts for inflation and changes in the number of units purchased, it is not unusual for a weapon system to experience costs that are 30 percent to 50 percent more than those estimated at the program's start—and sometimes the increase is higher. But pinpointing the amount of pressure DoD might experience over the 1995-1999 period is difficult, because the rate of cost growth varies depending on the mix of new and mature systems being procured.

Systems that are most likely to experience cost growth are those that are under development or in the early stages of production. Although the Administration's plan has few new programs compared with previous FYDPs,

it does contain funding for several systems at risk of cost growth, such as the Air Force's F-22 fighter, the Navy's new attack submarine, and the Comanche helicopter. Using planned levels of procurement and RDT&E spending and historical rates of cost growth calculated for various types of weapon systems, CBO estimates that the cost of high-risk weapons could grow by \$8 billion to \$31 billion during the FYDP.<sup>10</sup>

Note, however, that this estimate does not reflect budgetary reactions to growth in the cost of weapon systems—specifically, changes that the Congress and the Administration might make to offset higher costs such as program stretch-outs or cancellations. Strictly speaking, such changes reduce military capability relative to planned levels. But stretch-outs and cancellations are routinely carried out in response to budget pressures because they reduce total defense costs, at least in the near term. For that reason, DoD may not require tens of billions of dollars more to modernize equipment during the 1995-1999 period if the Congress agrees to programmatic changes; in fact, such changes could arguably offset a sizable portion of any overall shortfall in the defense plan. DoD would, however, pay higher procurement costs per unit for its new weapon systems.

Other actions by the Congress will also affect the size of the shortfall. The Congress has tightened targets for discretionary spending under the 1995 Concurrent Resolution on the Budget, which could constrain total (defense and nondefense) discretionary budget authority by \$26 billion between 1995 and 1998. Likewise, the 1994 crime bill could further restrict resources available for defense. And defense authorizations and appropriations for 1995 postponed purchases of some weapon systems that the Administration had requested (such as the Tri-Service Standoff Attack Missile) and increased funding to speed up procurement of others (such as the Navy's seventh LHD-1 amphibious assault ship).

The Administration may continue to take steps that offset part of the shortfall (see Table 2). For example, defense officials may raise targets for reductions of civilian personnel. To illustrate the effects of such a policy, if the Administration reduced DoD's civilian workforce by an additional 40,000 workers between 1995 and 1999, it could lower defense costs by about \$5 billion. In August 1994, Deputy Secretary of Defense John Deutch asked the military services to consider slowing or canceling nine major weapon systems, including high-priority programs such as the DDG-51 destroyer, the Comanche helicopter, the V-22 Osprey, and the F-22 fighter. Defense

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10. Historical rates of cost growth are taken from Karen Tyson and others, *The Effects of Management Initiatives on the Costs and Schedules of Defense Acquisition Programs*, vol. 1, Main Report, P-2722 (Alexandria, Va.: Institute for Defense Analyses, November 1992).



Secretary William Perry recently announced changes to seven of those programs (primarily stretching them out) that the Administration expects will save \$7.7 billion over the 1996-2001 period. Additional cuts could lower defense costs further. If all nine programs were canceled and no new spending put in their place for purchasing alternative systems, FYDP costs would decline by \$47 billion.

TABLE 2. POSSIBLE COMPENSATING ADJUSTMENTS IN DEPARTMENT OF DEFENSE COSTS, FISCAL YEARS 1995-1999 (In billions of current dollars of budget authority)

Adjustment	1995	1996	1997	1998	1999	Total, 1995- 1999	Percentage of Total Funding
Additional Cuts in Civilian Personnel Levels <sup>a</sup>	-1	-1	-1	-1	-2	-5	b
Illustrative Cancellations of Major Weapons Programs							
Comanche helicopter	-1	c	c	-1	-1	-3	b
DDG-51 destroyer	-3	-3	-3	-3	-3	-15	1
V-22 Osprey aircraft	c	-1	-1	-1	-1	-5	b
F-22 fighter aircraft	-2	-2	-3	-2	-3	-13	1
Total	-7	-7	-8	-8	-10	-41	3

SOURCE: Congressional Budget Office.

a. Illustrative savings from cutting DoD's civilian personnel by an additional 40,000 people between 1995 and 1999.

b. Less than 1 percent.

c. Less than \$500 million.



### Costs for Bottom-Up Review Forces Beyond 1999

Over the longer term, CBO projects that the cost of the Bottom-Up Review force structure will rise. The cost of national defense programs will increase largely as a result of aging fleets and the need to replace weapon systems. CBO estimates that the cost of Bottom-Up Review forces to future Administrations will, on average, be \$7 billion to \$31 billion (in 1995 dollars) higher per year from 2000 to 2010 than the level of spending proposed by the Administration for 1999, or about 3 percent to 13 percent higher. That range reflects different analytical assumptions: the lower value assumes that DoD will be able to constrain the cost of producing its weapon systems, whereas the higher value assumes that weapons costs will rise at rates consistent with historical experience.

Although the higher end of the range includes an estimate of larger costs for weapon systems, their effects on procurement and RDT&E *budgets* cannot be predicted. The Congress and the Administration may change U.S. force structure or modernization plans, which would, in turn, affect long-term cost projections. If the Bottom-Up Review force structure remains in place through the next decade, however, CBO's estimates show that there will be strong upward pressure on defense costs as DoD begins to replace and refurbish weapon systems.

Unless policies are enacted that cut government spending or raise revenues, CBO also projects that the federal deficit will begin to increase in 1996 and rise steadily through 2004—the last year for which CBO has made a projection. The combination of higher defense costs and an increasing federal deficit could result in even larger budget deficits or substantial pressure to cut nondefense spending or defense force structure in the next decade.

These findings have important implications for today's policy options. Measures that postpone purchases of major weapon systems until 1999 lower defense costs during the FYDP but may create the need for even higher levels of spending over the next decade. Unless the budget environment permits higher defense spending after the year 2000, options that defer spending today could lead to more intense budgetary pressures tomorrow.

### Illustrative Options for Addressing the Shortfall

The Administration and the Congress will need to choose from among a number of difficult policy options to address the defense shortfall over the

next five years. This analysis describes four general types of solutions: increase defense's share of discretionary spending, constrain DoD's responsibilities, lower DoD's costs of doing business, or reduce military capability.

**Increase Defense Spending.** Some critics contend that the current FYDP would cut too much from defense spending. The Administration's planning objective is to be able to fight and win two major regional contingencies that occur nearly simultaneously. Under the Bottom-Up Review, U.S. forces would fall to 10 active Army divisions, 330 battle force ships, and 13 active Air Force tactical fighter wings, as compared with 18 divisions, 546 ships, and 24 wings in 1990, the last year of the Cold War. (The number of active Marine Corps divisions remains at 3.) The Administration plans to enhance U.S. forces through investments in precision-guided munitions and airlift and sealift capabilities, but there is still considerable debate as to whether the Bottom-Up Review force structure could actually accomplish its aims. Some analysts believe that even under that force structure, planned levels of defense spending are not enough to ensure high levels of military readiness or to protect the quality of life of military personnel.

The Congress may, therefore, choose to devote more resources to national defense programs. Higher levels of spending might be used to offset likely areas of defense cost growth, such as larger pay raises. But higher levels of defense spending do not guarantee improved military readiness or force structures. Funds might, for example, help to keep bases and facilities open that might otherwise be considered excess capacity. And under discretionary spending caps set through 1998, the Congress would need to offset any increases in defense spending with comparably sized cuts in nondefense programs. That balancing could prove difficult if there was considerable support for addressing domestic issues such as crime, education, welfare reform, and health care reform.

**Limit DoD's Responsibilities.** Some critics argue that the Administration's plan contains too many programs that are not directly related to U.S. combat capability. Spending for environmental cleanup, drug interdiction, support for converting or sustaining the defense industrial base, and peacekeeping operations appears to have grown in recent years, and some critics argue that those resources might be better used in funding activities that enhanced readiness for military combat. But supporters contend that those tasks are within the purview of defense responsibilities, and therefore it is appropriate to fund them within DoD's budget.

Defining DoD's responsibilities more narrowly to exclude those types of activities might result in less pressure on defense costs. But if the Congress chose simply to transfer many of the same responsibilities to nondefense programs, other federal costs would rise. If, for example, the Environmental Protection Agency was given responsibility for cleaning up defense bases, one would expect its costs to grow. In some cases, DoD may be better able than other federal agencies to accomplish the aims of those programs.

Under a broad interpretation, "nontraditional" spending accounts for about \$11 billion to \$13 billion in annual defense spending.<sup>11</sup> Cuts to those programs deserve consideration, but unless the Congress is willing to cut most or all of them, the reductions would not address the likely magnitude of DoD's shortfall.

**Reduce DoD's Costs of Doing Business.** One way for the Administration to avoid having a "hollow" force—that is, one marked by shortages of experienced personnel, training, or equipment—is to lower the cost of equipping, operating, training, and maintaining military forces. Under the Administration's National Performance Review and recent legislative changes to the federal procurement process, the costs of buying weapons and equipment could fall. But DoD's track record for implementing initiatives that improve acquisition efficiency is not good, and even reforms that are carried out successfully may not save large amounts of money in the near term.

Another way to reduce DoD's costs is to cut the number of bases, facilities, and civilian personnel that operate and support military forces. Recent analyses suggest that considerable excess capacity exists, for example, among publicly owned depots that maintain military equipment. If funding permits, some of that overcapacity will be reduced through the next BRAC round, scheduled to begin in 1995. But the Congress and the Administration may be able to achieve greater efficiencies by consolidating and in some cases centralizing management of support activities.

**Reduce Military Capabilities.** Although unpopular, those policy alternatives that are most certain to reduce defense costs involve lessening military capabilities.

Reconfiguring service roles and missions to avoid duplication of effort among the military services could cut costs considerably. But in the process, such a policy would reduce military capabilities. The Administration might,

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11. These figures are based on data from the Congressional Research Service, which makes no judgment as to whether those programs contribute to military capability.

for example, rely more on Air Force bombers to conduct air strikes on distant targets rather than maintain the current size of the Navy's aircraft carrier fleet. The issue of how to assign military responsibilities is highly contentious because each service vigorously defends its current missions and the resources budgeted to carry them out. The Administration would also face considerable political constraints since closing associated bases and canceling programs would hurt certain constituencies.

Another option is to spend less to maintain readiness. Given current reports that three of the Army's 12 divisions are not well prepared for conflict, reducing funding for military readiness is likely to be an unpopular option. But measuring readiness is an inexact science, and today's indicators send ambiguous signals. In June 1994, for example, a Defense Science Board task force concluded that today's general state of readiness is acceptable for most areas, although there are "pockets of unreadiness."<sup>12</sup> Likewise, a recent CBO paper found that, based on publicly available data, unit readiness appears high relative to historical levels.<sup>13</sup> At the same time, some objective measures of readiness could indicate near-term problems, such as falling C-ratings for selected units (which are based on a commander's evaluation of the status of personnel, training, quantity of equipment and supplies, and equipment condition for his or her unit), lower funding for Navy depot maintenance, and reduced funding for real-property maintenance throughout DoD.

Funding for one budget category that is closely linked with readiness—O&M spending—is high for 1995, and although it would decline somewhat during the remaining years of the FYDP, spending per active-duty service member would remain high relative to historical standards. But by itself, O&M spending does not tell the whole story. Significant portions of those expenditures are not tied directly to preparing for military combat (one example is health care provided for retirees and military dependents), and therefore it is difficult to isolate trends in funding for activities that enhance readiness. It may be the case, for example, that DoD could cut O&M funding for some activities without appreciably affecting readiness. Ultimately, however, if DoD is unable to support and maintain its forces with less money, a decline in military readiness could arguably result.

Given constraints on the defense budget, the Congress and the Administration may need to consider reductions to U.S. force structure. Over

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12. Office of the Under Secretary of Defense for Acquisition and Technology, "Report of the Defense Science Board Task Force on Readiness" (June 1994).

13. Congressional Budget Office, "Trends in Selected Indicators of Military Readiness, 1980 Through 1993," CBO Paper (March 1994).



the past several years, U.S. forces have become involved in numerous contingency missions, which has raised operating tempos for certain types of units such as Navy surface combatants, Marine expeditary units, and Air Force airlift crews. Further reductions to numbers of forces could drive those "optempos" even higher, and for that reason, Administration officials have stated that they do not want to reduce forces below Bottom-Up Review levels. But not all units have been used with equal frequency, so there may be some room for further reductions.

The question of whether more force reductions are possible raises a related issue: whether DoD's planning objectives are appropriate ones for the United States. Supporters of the Administration's military strategy contend that the United States must be prepared to fight two rather than one major regional conflict; otherwise, an unfriendly nation could take advantage of U.S. involvement in one war to achieve its aims. But the Congress may want to consider whether the United States is willing to assume more risk for lower levels of defense spending. That risk may be acceptable if, for example, one believes that the United States is more likely to get involved in major regional conflicts sequentially rather than simultaneously or if one believes that likely opponents have forces less capable than those included as part of the Administration's assumptions during its Bottom-Up Review.

A final approach—one that the Administration is pursuing—involves canceling or delaying some weapons modernization programs. Defense Secretary Perry stated recently that in its 1996 budget, the Administration has chosen to place higher priority on improving the readiness of U.S. forces and the quality of life for military personnel than on modernizing weapons. For that reason, the Administration is canceling or postponing even some weapons programs that the military services consider to be among their top priorities. Additional cuts to those programs are possible. But some Members of Congress see that approach as one that substitutes future capability or readiness for readiness today and that could endanger military industrial capabilities in certain sectors.

### Combining Policy Options

Just as those factors that could affect costs within the FYDP may or may not occur, each of the policy options described above has a different likelihood of reducing defense costs. Some alternatives (such as limiting the amount of money spent on, say, defense conversion programs) could reduce the costs of the Administration's plan but probably will not by themselves solve the whole shortfall problem. Options that aim to improve the efficiency with which



DoD conducts its business—such as acquisition reform—could save more money, but their prospects for success are less certain. Raising defense spending could be a solution to the situation, but constraints on discretionary spending will remain tight at least through the remainder of this decade, and the Congress would need to agree to corresponding cuts in nondefense spending. Policy options that reduce defense capabilities—such as cutting force structure or canceling weapon systems—address the shortfall with the most certainty of success.

The Administration appears to be pursuing a combination of these approaches. Secretary Perry has launched initiatives designed to reduce the costs of defense procurement, but it remains to be seen how successful those changes will be. In response to Congressional direction, a commission is reviewing the assignment of roles and missions among the services and is scheduled to release its recommendations this spring. Although it is unclear how many facilities will be included, a new round of recommendations for base realignments and closures will begin in 1995. Yet the likelihood that those measures will reduce defense costs by the size of the shortfall is uncertain. Therefore, the Congress and the Administration may also need to consider other policy options, such as consolidating support activities and reducing military capabilities.

#### THE ADMINISTRATION'S PLAN FOR 1995 THROUGH 1999

Between 1990—the last year of the Cold War—and 1995, real spending by the Department of Defense fell by 25 percent, or some \$85 billion in 1995 dollars. As it was introduced in February 1994, the Administration's FYDP would cut real annual DoD spending by an additional 10 percent between 1995 and 1999, or about \$25 billion (see Table 3). If the Administration's plan is enacted, it would decrease the share of U.S. gross domestic product (GDP) devoted to national security to 2.9 percent—its lowest share since before World War II.

With the demise of the Soviet Union, the United States may now be able to protect its national security interests with these lower levels of defense spending. But analysts disagree on how much is enough: some believe that current threats to U.S. security warrant more resources, whereas others have called for even greater cuts, noting that the United States will still be spending almost as much annually on defense as the rest of the world

TABLE 3. THE ADMINISTRATION'S PLAN FOR DEPARTMENT OF DEFENSE SPENDING, BY TITLE, FISCAL YEARS 1995-1999 (In billions of 1995 dollars of budget authority)

Title	1990	Administration's Plan					Real Percentage Change	
		1995	1996	1997	1998	1999	1990-1995	1995-1999
Operation and Support								
Military personnel	91	70	65	63	62	61	-22	-13
Operation and maintenance	<u>101</u>	<u>93</u>	<u>86</u>	<u>83</u>	<u>81</u>	<u>81</u>	-8	-13
Subtotal	192	163	151	146	143	142	-15	-13
Investment								
Procurement	94	44	48	48	53	53	-53	22
Research, development, test, and evaluation	42	36	34	30	28	27	-14	-26
Military construction	<u>6</u>	<u>5</u>	<u>8</u>	<u>5</u>	<u>4</u>	<u>4</u>	-15	-27
Subtotal	142	85	89	84	85	84	-40	-1
Family Housing	4	3	4	3	3	3	-9	4
Other Adjustments	<u>-1</u>	<u>a</u>	<u>-6</u>	<u>-5</u>	<u>-4</u>	<u>-3</u>	n.a.	n.a.
Total	337	252	237	228	227	227	-25	-10

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTES: The values for 1990 were adjusted for the incremental costs of Operation Desert Shield. For the purposes of this table, values for the National Defense Sealift Fund over the 1995-1999 period were included in procurement spending and excluded from other adjustments.

n.a. = not applicable.

a. Less than \$500 million.

combined.<sup>14</sup> But if the Congress and the Administration hope to maintain capable, ready forces with lower levels of funding, they will need to make difficult decisions about the types of military commitments that the United States should make and the way in which those lower levels of resources should be spent.

14. "Is the U.S. Defense Budget Being Cut Too Much?" *The International Economy* (March/April 1994).

### Avoiding a Hollow Force Structure

Administration officials have noted that they want to avoid a "hollow" force—the term coined by General Edward C. Meyer, former Army Chief of Staff, that has been used to refer to shortages of experienced personnel, training, and equipment in the mid- and late-1970s. Although anecdotal in nature, persuasive evidence indicates that many units were not well prepared for combat during that period.<sup>15</sup> That situation arose in part because the Congress and the Administration chose to emphasize modernizing weapons at a time when resources devoted to defense were either too few or too inefficiently used to maintain a large and ready force structure and invest in new equipment.

Today, the Congress and the Administration face equally important decisions about defense priorities. Between 1990 and 1995, the Bush and Clinton Administrations and the Congress have cut operating funds less than the numbers of forces those funds support, an action that should help to avoid a hollow force. But by the end of 1995, most of the cuts in forces associated with the Bush Administration's base force plan and the Clinton Administration's Bottom-Up Review will be nearly completed. Meanwhile, closures of bases and facilities—which are supported by operating funds—have not kept pace with reductions in forces, and excess capacity remains among some types of facilities.

If the Congress chooses to devote fewer resources to DoD through the end of the decade, defense planners will need to make difficult choices about how to reduce funding. Should they cut forces further, give less priority to weapons modernization programs, or cut operating costs by reducing DoD's infrastructure? In 1989, William Perry, now Secretary of Defense, wrote that "a premium should be placed on readiness, both near-term, by maintaining the O&M account, and medium-term, by maintaining an efficient modernization program to replace aging equipment that is difficult to operate and maintain."<sup>16</sup> The Administration proposed such a strategy for 1995; it actually increased O&M and kept total investment spending relatively level. But through 1999, the FYDP calls for O&M cuts in order to continue lowering the defense budget while still modernizing some weapons and equipment.

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15. CBO, "Trends in Selected Indicators of Military Readiness."

16. William J. Perry, "Defense Investment Strategy," *Foreign Affairs* (Spring 1989), pp. 72-92.

Operating Funds Have Been Cut Less Than Force Structure. Based on several measures, the size of U.S. forces is scheduled to decline by about 30 percent to 45 percent between 1990 and 1999 (see Table 4). Although the Administration has programmed continued reductions in the number of forces fielded through the end of the decade, the majority of the drawdown in military personnel, tactical fighter wings, and ships will already be in place by the end of 1995. The total number of active-duty service members, for example, would fall by only an additional 5 percent under the Administration's plan after experiencing a 26 percent cut between 1990 and 1995.

By comparison, between 1990 and 1995, operation and support (O&S) funding has been cut less than the numbers of forces. The O&S category consists of pay and benefits for service personnel (under the military personnel title of DoD's budget) and funds for operations such as training military units, maintaining their equipment, running base facilities, providing health care for service members and their dependents, and numerous other activities (under the O&M title). Between 1990 and 1995, both categories of O&S spending have been cut less than the forces they support: O&M funding has declined by just 8 percent, and funding for military personnel has fallen by 22 percent from 1990 levels. But as DoD reaches the limit of savings associated with reductions in forces, it becomes more difficult to avoid deeper cuts in O&S.

O&M Spending Is Protected in 1995. For 1995, the Administration proposed supporting near-term readiness over modernization. Thus, O&M spending rose in real terms by 4 percent over the 1994 level at the same time that the number of active-duty service members declined by 5 percent. But although that title finances important activities such as training units and maintaining equipment, O&M spending is not synonymous with readiness. Other activities that do not contribute directly to the ability to prosecute wars are funded under O&M as well, such as the operating costs of military bases and commissaries, health care for military dependents and retirees, and environmental cleanup efforts.

### The Status of Military Readiness Today

The evidence about current readiness is ambiguous. In a June 1994 study, a Defense Science Board task force concluded that although there are "pockets of unreadiness," today's general readiness level is "acceptable in most

TABLE 4. OPERATION AND SUPPORT FUNDING AND FORCES IN THE ADMINISTRATION'S PLAN FOR DEPARTMENT OF DEFENSE SPENDING (By fiscal year)

				Real Percentage Change		
	1990	1995	1999	1990-1995	1995-1999	1990-1999
Operation and Support Funding (In billions of 1995 dollars of budget authority)						
Military Personnel	91	70	61	-22	-13	-33
Operation and Maintenance	101	93	81	-8	-13	-20
Total	192	163	142	-15	-13	-26
Forces						
Active-Duty End Strength (Thousands) <sup>a</sup>	2,069	1,526	1,453	-26	-5	-30
Active Army Divisions	18	12	10	-33	-17	-44
Battle Force Ships	546	373	330	-32	-12	-40
Active Naval Wings	13	10	10	-23	0	-23
Active Air Force Tactical Fighter Wings	24	13	13	-46	0	-46

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTE: The funding values for 1990 were adjusted for the incremental costs of Operation Desert Shield.

a. Excludes full-time National Guard and Reserve forces.

measurable areas.<sup>17</sup> Likewise, a recent CBO paper found that based on publicly available data, unit readiness appears to be high relative to historical levels.<sup>18</sup> Both analyses note that DoD's current measures of readiness and

17. Office of the Under Secretary of Defense for Acquisition and Technology, "Report of the Defense Science Board Task Force."

18. CBO, "Trends in Selected Indicators of Military Readiness."



indicators of future readiness are imperfect. Nonetheless, those analyses suggest that U.S. forces are not on the "razor's edge" of becoming unready.

In recent months, however, several Members of Congress have charged that U.S. military forces are not well prepared for combat, in part because contingency operations are being funded at the expense of training and other activities that enhance readiness.<sup>19</sup> Secretary Perry noted recently that three of the Army's 12 divisions were rated as C-3—the next-to-lowest readiness ranking for operational units—at the end of 1994, indicating that they needed additional resources or training. He attributed the problem to cash flow shortages triggered by a quick succession of U.S. operations in Rwanda, Cuba, Haiti, and Kuwait toward the end of the fiscal year.

Typically, DoD requests supplemental appropriations for the incremental costs of contingency operations, and the Congress passed two such appropriations for 1994. But the second increment of funding was not available until the start of fiscal year 1995, and that fact, combined with high demand for U.S. forces at the end of 1994, meant that fewer funds were available for training selected units in traditional combat methods and for maintaining their equipment. The Administration claims that the problem is primarily a matter of timing—several months may pass between the time forces are deployed and when resources become available. But critics argue that the United States should not be involved in contingency operations unless U.S. national interests are clearly at stake. Following that line of reasoning, the Administration would spend fewer defense resources on contingency operations if it chose to become involved in those missions more selectively.

Under a system of flexible (or tiered) readiness, units that are scheduled to be deployed first in the event of conflict receive higher priority for operating funds than units that would be deployed later. (For example, according to Secretary Perry, the three Army divisions that received C-3 ratings are heavy reinforcements rather than contingency forces.) Overall, Administration officials still maintain that U.S. forces are ready to carry out the nation's national security tasks. But perhaps what is needed is a public debate about whether the Congress is willing to accept lower levels of readiness for certain units and thus a higher degree of risk. In other words, how much readiness is enough?

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19. See, for example, Senator John McCain, "Going Hollow: The Warnings of the Chiefs of Staff" (September 1994). See also the statements of Congressman Floyd Spence, Ranking Republican, House Armed Services Committee, in press releases on November 15 and 16, 1994.

Under the Administration's plan, constant-dollar O&M funding would decline after 1995. But the amounts proposed in the FYDP would still keep O&M spending per active-duty service member at relatively high levels.

The O&M title finances many of the goods and services that contribute to current and future readiness, but the exact nature of the relationship between the two is unclear. Several studies have shown that real O&M spending per active-duty service member has been rising over time. Some analysts contend that DoD should assume that it will continue to do so because as weapon systems age or become more technologically complex, they are more expensive to operate and maintain.<sup>20</sup> But some new weapon systems are designed to be more reliable than previous generations of equipment and may be less costly to operate.

Another reason for the difficulty in drawing conclusions about military readiness from trends in O&M spending is that DoD's infrastructure is changing. If DoD is slow to consolidate excess infrastructure and to close facilities, keeping bases open could occur at the expense of other activities that enhance readiness more directly. But if instead DoD is able to reduce its civilian payroll and recoup savings from closing defense facilities and consolidating support activities, it may be able to support its forces in a more cost-effective manner. Therefore, planned funding levels may be sufficient.

A Modest Trend Toward Centralized Funding for Support Activities Is Apparent. One trend in O&M spending is less evident from aggregate data: a modest movement toward financing some types of support activities through defensewide accounts rather than by direct appropriations to the military services.

O&M spending for all of the services combined and for defensewide and defense agency accounts can be usefully looked at in two ways: as appropriated (without adjustments) and adjusted for some of the changes in appropriation categories that have occurred since 1990 (see Table 5). Those changes include the creation of the Special Operations Command, the Defense Health Program, and the Defense Environmental Restoration Account. For each of those programs, appropriations are now made to a centralized defensewide account, although some funds are later allocated to each military service. Appropriations for a number of other, smaller programs have also been transferred between defensewide and service accounts, but

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20. See, for example, Dov Zakheim and Jeffrey Ranney, "Matching Defense Strategies to Resources," *International Security*, vol. 18, no. 1 (Summer 1993), pp. 51-78. See also Steven Daggett, "Defense Spending: Does the Size of the Budget Fit the Size of the Force?" CRS Report 94-199P (Congressional Research Service, February 28, 1994).

they are not reflected in Table 5. Nor do the adjustments reflect the numerous changes that have been made among appropriation titles since 1990—in the case of depot-level repairables, for example, shifting funds for the purchase of some spare parts out of procurement spending and into O&M. Nonetheless, the data in Table 5 show generally that much of the apparent growth observed in defensewide and defense agency O&M budgets results from definitional changes rather than programmatic growth.

The changes discussed above do not necessarily mean, however, that the management of support activities has become more centralized. For example, the Defense Health Program (which finances part of the health care expenditures for military service members, their dependents, and retirees) accounts for the majority of those funding shifts. But the Office of the Assistant Secretary of Defense for Health Affairs (which runs the Defense Health Program) does not manage military medical personnel or make decisions about staffing levels; those activities remain within the purview of the individual services. Environmental cleanup efforts are another category in which initial appropriations go into the Defense Environmental Restoration Account, but management decisions about cleaning up contaminated sites are left largely to the military services.

A few support functions have turned to centralized management—for example, commissaries, distribution of consumable supplies, financial and accounting services, and printing services. Most appropriations to pay for those functions come from each service's O&M account and are used in turn to pay a revolving fund, the Defense Business Operating Fund. DoD may be able to lower its costs by consolidating other activities as well.

With the exception of consolidated management of supply depots under the Defense Logistics Agency, most activities that have turned to centralized management thus far do not provide services that are thought to affect readiness directly. The military services have been reluctant to centralize activities that are tied to readiness (such as training pilots and maintaining equipment) because by keeping those functions in-house, they believe they provide more responsive service to their own forces. But that rationale may not always hold true; in the case of supply depots, for example, readiness indicators suggest that a centralized wholesale system can fill requisitions from stocks on hand about 85 percent of the time—the goal rate.<sup>21</sup>

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21. CBO, "Trends in Selected Indicators of Military Readiness," p. 49.

The Administration's Plan Assumes Faster Civilian Personnel Cuts. Because civilian pay and benefits make up nearly 40 percent of total O&M spending, one key to reducing support costs is to cut the number of DoD's civilian employees. Between 1990 and 1995, the number of civilian personnel fell by 19 percent—a smaller share than the 26 percent decline in active-duty military personnel that occurred over the same period. Under the Administration's plan, civilian cuts would start to catch up with those of the military, ultimately reaching 26 percent over the 1990-1999 period compared with 30 percent for active-duty military personnel (see Table 6).

TABLE 5. PROPOSED OPERATION AND MAINTENANCE SPENDING, WITH AND WITHOUT ADJUSTING FOR CHANGES IN APPROPRIATION CATEGORIES (By fiscal year)

	Budget Authority (Billions of 1995 dollars)			Real Percentage Change		
	1990	1995	1999	1990- 1995	1995- 1999	1990- 1999
<b>Unadjusted (As appropriated)</b>						
Military Services	92	69	57	-25	-17	-37
Defensewide and Defense Agency	10	24	24	142	-2	138
Total	101	93	81	-8	-13	-20
<b>Adjusted for Changes Since 1990 in Appropriation Categories</b>						
Military Services	82	69	57	-15	-17	-30
Defensewide and Defense Agency	20	24	24	21	-2	19
Total	101	93	81	-8	-13	-20

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTE: Adjusted values in 1990 reflect the transfer of appropriations for the Special Operations Command, the Defense Health Program, and the Defense Environmental Restoration Account from the military services to defensewide accounts. The values for 1990 were adjusted for the incremental costs of Operation Desert Shield.



TABLE 6. CHANGES IN MILITARY AND CIVILIAN PERSONNEL  
END STRENGTHS, WITH AND WITHOUT ADJUSTING  
FOR TRANSFERS (By fiscal year)

	Thousands of Personnel			Percentage Change		
	1990	1995	1999	1990- 1995	1995- 1999	1990- 1999
<b>Active-Duty Military Personnel<sup>a</sup></b>						
Army	751	510	495	-32	-3	-34
Navy	583	442	394	-24	-11	-32
Marine Corps	197	174	174	-12	0	-12
Air Force	<u>539</u>	<u>400</u>	<u>390</u>	-26	-2	-28
Total <sup>a</sup>	2,069	1,526	1,453	-26	-5	-30
<b>Civilian Personnel</b>						
Unadjusted						
Military services	970	721	665	-26	-8	-31
Defense agency and other personnel	<u>103</u>	<u>152</u>	<u>130</u>	48	-14	26
Total	1,073	873	795	-19	-9	-26
Adjusted for transfers <sup>b</sup>						
Military services	930	721	665	-22	-8	-28
Defense agency and other personnel	<u>143</u>	<u>152</u>	<u>130</u>	6	-14	-9
Total	1,073	873	795	-19	-9	-26

SOURCE: Congressional Budget Office based on data from the Department of Defense.

a. Excludes full-time National Guard and Reserve forces.

b. Adjusted numbers of civilian personnel for 1990 reflect the transfer of personnel from the military services to the Defense Exchange and Commissary Agency, the Defense Financial and Accounting Service, the Defense Information Systems Agency, the Defense Logistics Agency, and the Department of Defense Domestic and Overseas Dependent's Schools.

Although the magnitude of civilian reductions programmed in the Administration's plan for 1995 through 1999 is greater than the magnitude of reductions programmed for the military, the cuts are far less severe than those that occurred between 1990 and 1995. Between 1994 and 1995, the FYDP assumed that 50,000 personnel—about 5 percent of DoD's civilian employees—would leave the workforce voluntarily. Although that number may seem large, more civilians left DoD's ranks during 1994 than had been expected, so



the cuts required to reach end strength targets for 1995 will be smaller than 50,000. Even so, a reduction of that magnitude in one year is not out of step with recent history—DoD has decreased its civilian payrolls by 28,000 to 69,000 workers each year since 1990. Buyout authority, which the Congress authorized for DoD through 1997, gives the department an additional tool to manage the size of its civilian workforce by offering employees a lump sum to leave DoD's payroll voluntarily.

As with O&M spending, decreases in the number of civilian personnel employed by the military services tend to be overstated because responsibilities for some activities have been transferred from the military services to central defense agencies. Likewise, much of the apparent increase in end strengths at defense agencies is the result of transfers of civilian employees from the services. If one adjusts for transfers from the services to five agencies (the Defense Exchange and Commissary Agency, the Defense Finance and Accounting Service, the Defense Logistics Agency, the Department of Defense Domestic and Overseas Dependents' Schools, and the Defense Information Systems Agency), civilian end strength of the military services would fall by 22 percent between 1990 and 1995, whereas that of defense agencies would grow by just 6 percent. Other civilian personnel may have been transferred as well, but they are not reflected in these estimates.

Perhaps a more important issue is how the Administration's future plans for civilian personnel levels will affect DoD's ability to operate and support its forces. For some support functions the Defense Department may have an excess of civilian workers relative to the future work load expected by the military services. Centralized or joint service management of some support activities might also permit DoD to operate and support its forces with fewer workers. Other policies could increase the need for civilian workers. For example, some Members of Congress contend that DoD could preserve its combat capability (and possibly lower its costs) by converting military billets in support functions to civilian positions. DoD has begun identifying such positions. The task at hand for DoD planners is to determine what mix of military and civilian personnel best supports a smaller U.S. force structure and how to manage the transition to a smaller force.

**Spending for Planned Investments Has Been Kept Stable.** DoD's plans for 1995 call for real funding of its investment accounts—RDT&E, procurement, and military construction titles—to be about 40 percent below the 1990 level. Because DoD purchased large numbers of aircraft, ships, and tanks during the 1980s, it is able to postpone replacing many of its weapon systems until the next decade. As those systems continue to age, however, DoD will ultimately need to replace or refurbish its stocks of equipment.

The Administration's plan calls for stable investment spending averaging \$91 billion a year (\$85 billion in 1995 dollars) during the FYDP period. But within that overall category, the mix of spending would change. The Bush Administration cut procurement funding dramatically between 1990 and 1993 while keeping spending for research and development high—a pattern that the Clinton Administration continued in 1994 and 1995. By the end of the decade, however, the Administration plans to shift DoD budget resources back into procurement as the services begin to buy the F-22 and F/A-18E/F aircraft, the new attack submarine, and the Comanche helicopter. Total investment spending would remain stable under the FYDP because RDT&E spending will decline toward the end of the decade as those weapon systems move out of their development phases and into production.

Army procurement spending will face the most severe decline, dropping 61 percent in real terms from its 1990 level by 1999 (see Table 7). Because the Army purchased a new generation of more sophisticated tanks, combat helicopters, and missiles during the 1980s, modernization is less of a priority within the Army's budget. Navy and Air Force investment spending would not be cut as severely as investment spending for the Army, and the two services show trends similar to those for DoD as a whole. Procurement spending by the Navy and Air Force has already faced its steepest decline—between 1990 and 1995—and is now to be followed by an infusion of resources toward the end of the decade. Conversely, spending for RDT&E would not experience as severe a percentage reduction during the early part of the FYDP but would then decline throughout the remainder of the decade. Relative to 1990 levels, the Air Force will face the smallest percentage cuts in procurement spending among the services.

## CHANGES SINCE THE FYDP WAS RELEASED

There have been a number of developments since the Administration released its defense plan in February 1994.

### Congressional Actions

A number of Congressional actions during debate over the 1995 budget could reduce the resources available for defense or raise DoD's costs.

Discretionary Caps Call for Real Cuts in Spending. Current restrictions on federal spending are quite tight. The Budget Enforcement Act of 1990 and the Omnibus Budget Reconciliation Act of 1993 (OBRA-93) set limits on

discretionary spending through 1998 in order to restrain the federal budget deficit (see Table 8). Those caps effectively freeze discretionary spending in nominal terms, calling for a 9 percent real reduction in total discretionary spending by 1998 relative to the 1994 level.

The Violent Crime Prevention Act, which was signed into law in September 1994, could further restrict some types of discretionary spending. The act establishes a Violent Crime Reduction Trust Fund, which will finance federal, state, and local law enforcement or crime prevention programs with savings from reducing federal civilian employment under guidelines set in the Federal Workforce Restructuring Act of 1994. But the Crime Prevention Act also effectively lowers the discretionary spending cap applicable to most defense spending by establishing two sets of spending lids: one for crime enforcement and prevention programs and one for all other discretionary spending. By separating funds for crime programs, the act could further re-

TABLE 7. PROPOSED PROCUREMENT AND RDT&E SPENDING, BY SERVICE  
(By fiscal year)

	Budget Authority (Billions of 1995 dollars)			Real Percentage Change		
	1990	1995	1999	1990- 1995	1995- 1999	1990- 1999
Army						
Procurement	16	6	6	-62	3	-61
RDT&E	6	5	3	-13	-37	-45
Navy and Marine Corps						
Procurement	40	17	22	-58	33	-44
RDT&E	11	9	6	-18	-31	-43
Air Force						
Procurement	35	18	22	-48	21	-37
RDT&E	16	12	9	-21	-27	-42

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTES: For the purposes of this table, the values for the National Defense Sealift Fund over the 1995-1999 period were included in Navy procurement spending and excluded from other adjustments.

RDT&E = research, development, test, and evaluation.

TABLE 8. HOW TIGHT ARE THE DISCRETIONARY SPENDING CAPS?  
(By fiscal year, in billions of dollars of current budget authority)

	1995	1996	1997	1998	Total, 1995-1998
Discretionary Caps <sup>a</sup>					
Violent Crime Reduction Trust Fund	2	4	5	6	17
All other discretionary spending	<u>516</u>	<u>514</u>	<u>522</u>	<u>525</u>	<u>2,077</u>
Total	518	518	527	531	2,094
Funding Needed to Preserve Real 1994 Spending Level <sup>b</sup>	518	540	557	579	2,194
Amount Over Caps	0	22	30	48	100

SOURCE: Congressional Budget Office.

a. CBO's August 1994 estimate of future end-of-session discretionary spending limits.

b. Includes adjustments for inflation of about 3 percent a year.

strict spending for defense, international, and noncrime domestic programs, unless some of those programs are eligible for funding under the trust fund.

In 1991 through 1993, three separate caps applied to defense, international, and domestic appropriations, but in 1994 through 1998, a single limit applies to all discretionary spending. The absence of "firewalls" between defense and other types of discretionary spending means that the Administration and the Congress must evaluate their priorities among those categories of programs. Under its plan, the Administration would cut real annual spending for national defense (including DoD, Department of Energy spending on nuclear weapons production and environmental cleanup, and other defense-related programs) by about 12 percent by 1998 relative to 1994 levels. Those cuts would account for nearly 80 percent of total reductions in discretionary spending over the 1995-1998 period.<sup>22</sup> International and domestic programs would experience real cuts of 10 percent and 5 percent, respectively, under the Administration's plan, but they would account for just

22. CBO, "Planning for Defense," p. 5.



20 percent of the overall reduction. If the Congress and the Administration chose to accommodate higher defense costs over the next several years, they would also have to cut nondefense spending by the same amount in order to abide by the discretionary spending caps.

The Concurrent Budget Resolution Could Cut Discretionary Spending Further. The Concurrent Resolution on the Budget for 1995, which was passed in May 1994, could cut \$26 billion in budget authority and \$9 billion in outlays from discretionary spending between 1995 and 1998, relative to the caps contained in OBRA-93.<sup>23</sup> Those additional cuts were included in the Senate's budget resolution, with higher levels of discretionary spending in those years subject to a point of order. The Congress has not allocated those cuts (or, indeed, any discretionary spending) among federal agencies for the 1996-1998 period, but defense spending accounts for roughly half of all discretionary spending. In 1995, DoD's budget was spared: of about \$7 billion in cuts to discretionary budget authority under the budget resolution, final appropriation actions cut less than \$2 billion from the President's request for national defense.

It is important to note that additional cuts set by the Senate for 1996 through 1998 are not necessarily binding for those years. According to the 1995 resolution, future budget resolutions could override those targets by a three-fifths vote of the Senate. For that reason, what is represented as a \$26 billion reduction in discretionary budget authority may or may not be imposed, particularly in light of the substantial changes in the makeup of the Congress.

Pay Raises Are Likely to Be Higher than Under the Administration's Plan. Under current guidelines, civil servants receive two types of raises, unless the President proposes and the Congress approves other amounts. The first is tied to the employment cost index, a measure of wage costs observed in the economy as a whole. Federal civilian workers receive an increase equal to the percentage increase in the ECI minus one-half of a percentage point as an across-the-board pay increase. The second adjustment to pay is a locality increase that varies by city and is designed to narrow gaps between federal and local pay scales. Although federal civilian employees have been eligible for the combination of across-the-board raises and locality pay adjustments since 1992, the President did not request nor did the Congress approve pay raises as large as guidelines would allow for either 1994 or 1995.

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23. Several press articles have stated that the 1995 budget resolution would cut discretionary budget authority by \$31 billion and outlays by \$13 billion over the 1995-1999 period relative to the budget caps. But OBRA-93 only specifies discretionary caps through 1998, and the language of the resolution itself only includes discretionary cuts through 1998.



Under equivalent guidelines, military personnel will also receive an across-the-board pay raise equal to the ECI minus one-half of a percentage point, but they will not receive a locality pay adjustment. They do, however, receive some forms of compensation other than basic pay that vary with the local cost of living, such as housing allowances.

For 1995, the Congress approved pay increases for both military and civilian workers that were higher than those proposed by the Administration. Military personnel will receive a 2.6 percent across-the-board pay raise. Civilians will receive a 2.0 percent across-the-board raise, and locality adjustments for those who are eligible will add another 0.6 percent to the federal civilian payroll. By comparison, the Administration had budgeted only a 1.6 percent across-the-board raise for 1995 within its FYDP, and it would have held pay raises a full percentage point below current law through the remainder of the decade. CBO estimates that pay raises granted to military and civilian workers for 1995 will add \$5.6 billion to payroll costs over the 1995-1999 period.

Under available projections of the ECI and current guidelines, future pay raises could add to the FYDP's costs as well. Raises for military personnel would be an additional \$5.6 billion, and comparable raises for DoD's civilian employees would add another \$3.6 billion. Carrying out the locality pay adjustment according to schedule would require \$7.9 billion. Altogether, future pay raises could total \$17 billion over the 1996-1999 period. Note, however, that the Administration's projections of the ECI for 1996 are likely to be revised downward, which would lower the cost of providing pay raises. The Administration and the Congress could also choose to grant pay increases different from current guidelines, as they did in 1994 and 1995. Indeed, although the Administration has proposed full pay raises for military personnel throughout the remainder of the decade, it has remained noticeably quiet on the issue of civilian raises.

#### Possible Additional Adjustments for Covering Higher Inflation Costs

When the Administration released its FYDP, it included a \$20.1 billion negative adjustment—an acknowledgment that future cuts might be necessary to cover the approximate cost of higher inflation expected over the 1995-1999 period. That \$20 billion gap resulted when the Office of Management and

Budget (OMB) revised its inflation forecasts upward at the end of 1993 relative to the projections originally used to create the defense budget.<sup>24</sup>

OMB's revised inflation forecast as of July 1994 has remained unchanged (see Table 9). If inflation projections had declined, that trend would have reduced the need for any future programmatic changes in the budget. But current projections suggest that some additional cuts will be necessary, although the precise magnitude of the effects of inflation is unclear. CBO's latest forecast projects lower rates of inflation than does OMB, which could significantly reduce the size of future adjustments required over the 1995-1999 period. According to Administration officials, the most recent inflation projections—which are due to be released with the proposed budget for 1996—could substantially lower the need for future adjustments.

### Actions by the Administration

In the fall of 1994, the Administration conceded that its defense plan was likely to face a shortfall larger than the \$20 billion reduction described as "future adjustments." In testimony before the Senate Armed Services Committee, Deputy Secretary Deutch stated that the Administration considered its defense shortfall to be on the order of \$40 billion; that figure included inflation, the cost of higher pay raises, and some additional funding to support Army readiness and initiatives to improve the quality of life for military personnel.<sup>25</sup> In preparing for its 1996-2001 defense plan, the Administration has taken several steps to deal with the shortfall, but it is not yet clear whether those actions are sufficient to address the entire amount.

Savings from Acquisition Reform Are Not Reflected in DoD's Budget. In developing the Administration's entire budget for 1995, OMB included estimates from the National Performance Review that reform of the federal procurement system would result in savings in budget authority of \$0.7 billion in 1995 and \$12.3 billion over the 1995-1999 period. Those estimated savings were included in the Administration's 1995 budget as an unallocated governmentwide allowance. For 1995, DoD was asked to absorb about 45 percent of that year's value—\$315 million. If DoD was required to face that

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24. The pattern of DoD's adjustments from 1996 to 1999 is not consistent with an inflation overrun: the reductions specified for the earlier part of the period are larger than those for the end of the decade. OMB attributes that pattern to other programmatic adjustments that were made simultaneously.

25. Statement of John Deutch, Deputy Secretary of Defense, before the Senate Armed Services Committee, September 20, 1994.

TABLE 9. PERCENTAGE CHANGE IN ESTIMATED INFLATION, FISCAL YEARS 1995-1999

	1995	1996	1997	1998	1999
Administration and CBO Estimates from 1993	2.3	2.3	2.2	2.2	n.a.
Administration's Estimates from February 1994	2.8	2.9	3.0	3.0	3.0
Current Administration Estimates	2.8	2.9	3.0	3.0	3.0
Current CBO Estimates	2.5	2.6	2.7	2.7	2.7

SOURCES: Congressional Budget Office and Office of Management and Budget.

NOTE: Values are estimated increases in the implicit deflator for gross domestic product.

n.a. = not available.

same share of total acquisition savings from 1996 through 1999, it would need to cut its plan by \$5.1 billion, either by making programmatic changes or by reducing acquisition costs.

Note that it is inappropriate to add the reductions associated with acquisition reform to cuts that may result from the Concurrent Resolution on the Budget. The two are not additive but parallel—savings achieved as a result of procurement reform in DoD's budget would help meet the targets set in the budget resolution.

The Administration Has Decided to Seek Higher Defense Spending. On December 1, 1994, the President announced that he plans to seek an additional \$25 billion for defense over the 1996-2001 period. Of that amount, \$10 billion would be added during the period covered by CBO's analysis, 1996 through 1999. Administration officials have stated that the funds would help to maintain military readiness, raise military pay, and support programs to improve the quality of life of military personnel. In addition, the President will seek a supplemental appropriation of more than \$2 billion for 1995 to replace funds spent on contingency operations.

Directives for Additional Cuts Could Help Meet the Shortfall. According to press accounts, in April 1994, the Office of the Secretary of Defense (OSD)

directed the military departments to reduce their 1996-1999 budgets by nearly \$10 billion.<sup>26</sup> The directive was part of OSD's fiscal guidance to the services—that is, DoD's set of assumptions to be used in planning its budgets for 1996 through 2001. Although those reductions address only half of the Administration's reported \$20 billion future adjustment, the services have probably been participating in other "budget scrubs" as well.

In mid-August 1994, Deputy Secretary Deutch sent a memo to the military departments asking that they examine the implications of delaying or canceling nine major weapon acquisition programs, including some considered to be among the highest priorities of the military services, such as the Air Force's F-22 fighter (see Table 10). The sending of the memo suggests that the Administration recognized a significant mismatch between available resources for defense and the force structure planned in its Bottom-Up Review.

Secretary Perry announced the Administration's proposed cuts on December 9, 1994. Two of the nine programs face the most severe changes: the Tri-Service Standoff Attack Missile will be canceled, and although the Army will purchase two prototypes of its Comanche helicopter, no others will be produced during the 1996-2001 period. Five other weapons programs will be affected as well (primarily delayed or stretched out): the DDG-51 destroyer, the new attack submarine, the V-22 Osprey aircraft, the advanced amphibious assault vehicle, and the F-22 fighter. The Administration expects that its proposed changes will reduce defense costs by \$7.7 billion over the 1996-2001 period. Approximately \$6 billion of that amount would affect the period covered by CBO's analysis.

For most of the weapon systems at issue, the Administration had asked the services to propose alternative programs that would presumably cost less during the FYDP period (although in some cases they would cost more over the long run). If instead the Administration had proposed canceling all of those major programs without including funds for alternative systems, then total spending during the FYDP period would fall by \$47 billion.

Additional Cuts in Civilian Personnel Could Help Address the Shortfall. Two memos released by the Under Secretary of Defense for Personnel and Readiness, Edwin Dorn, in the summer of 1994 suggest that the Administration may raise its targets for cuts in civilian personnel levels. New guidelines will reflect reductions made in accordance with the National Performance Review

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26. Margo MacFarland, "OSD Directs Services to Cut Nearly \$10 Billion Between FY-96 and FY-99," *Inside the Pentagon* (May 5, 1994), p. 1.



**TABLE 10. FUNDING IN THE 1995-1999 FUTURE YEARS DEFENSE PROGRAM FOR WEAPON SYSTEMS BEING EVALUATED FOR DELAY OR TERMINATION, BY SERVICE (In billions of current dollars of budget authority)**

Weapon System	Funding
<b>Army</b>	
Comanche helicopter	3
Advanced Field Artillery System	1
<b>Air Force</b>	
Joint Primary Aircraft Training System	1
F-22 fighter	13
Tri-Service Standoff Attack Missile	2
<b>Navy and Marine Corps</b>	
V-22 Osprey aircraft	5
DDG-51 destroyer	15
New attack submarine	7
Advanced amphibious assault vehicle	2
<b>Total</b>	<b>47</b>

**SOURCE:** The list of weapon systems is based on John Deutch, Deputy Secretary of Defense, "Memorandum for Members of the Defense Resources Board" (August 18, 1994). The funding values were estimated by the Congressional Budget Office based on data from the Department of Defense.

a. Less than \$500 million.

and the Federal Workforce Restructuring Act of 1994. The ultimate size of new employment targets will remain uncertain until the Administration introduces its budget plan for 1996. But to illustrate the effects of such a policy, if the Administration reduced DoD's civilian workforce by an additional 40,000 people between 1995 and 1999, it could lower defense costs by about \$5 billion. Those higher targets would ultimately reduce DoD's civilian employment by 30 percent over the 1990-1999 period, which is comparable to the reduction planned for active-duty military personnel.

#### **OTHER PRESSURES ON THE FYDP'S "TOP LINE"**

Several other factors lead CBO to conclude that DoD is likely to face significant upward pressure on its costs during the remainder of the decade.



### "Nontraditional" Defense Spending

The term "nontraditional" has been used to refer to a number of activities managed and financed through the Defense Department that do not relate directly to DoD's established role of preparing to fight wars. A broad interpretation of nontraditional spending might include DoD's environmental cleanup programs, efforts to convert defense manufacturers to civilian or dual-use production, drug interdiction campaigns, and the like (see Table 11). But the term is a misnomer, since DoD has been conducting several of those activities for many years. The department has, for example, long supported research and development into dual-use technologies, but only recently has the Administration chosen to emphasize them as a matter of policy.

Some Members of Congress argue that DoD's responsibilities have expanded at the same time that its budget has contracted, and the resulting squeeze on resources could jeopardize the readiness of U.S. forces to conduct combat operations. Although it is difficult to identify a consistent stream of budget data for many of these nontraditional categories of spending, it does appear that between 1990 and 1994 (a period of real cuts in the total defense budget), funding for several categories of such activities has grown, particularly for environmental cleanup programs.

Environmental Cleanup Costs Are Likely to Continue to Grow. The Administration plans to spend about \$12 billion on environmental restoration (one category of its environmental programs) during the 1995-1999 period. Historically, actual costs for cleanup projects have been two to three times higher than DoD's original estimates. If history is a guide, accomplishing those environmental projects planned within the FYDP may cost DoD about \$20 billion more than it has budgeted.<sup>27</sup> Note, however, that this estimate may overstate the problem; DoD may be better able to project environmental cleanup costs, now that it has more experience with such projects. The Administration may also choose to scale back the pace or scope of its environmental programs during the FYDP period if growth in project costs is excessive—that is, unless contractual agreements with other agencies and local communities limit its ability to alter its cleanup plans.

Contingency Operations Could Add Unanticipated Costs. One of the most contentious issues facing defense planners today is the role that the U.S. military should play in peacekeeping and other contingency operations. If the United States continues to become involved in operations such as those in

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27. CBO, "Planning for Defense."

TABLE 11. "NONTRADITIONAL" DEFENSE SPENDING, FISCAL YEARS 1990-1995  
(In billions of 1995 dollars of budget authority)

	Actual				Estimated	
	1990	1991	1992	1993	1994	1995
DoD Environmental Activities	1.6	2.8	4.0	5.3	5.6	5.2
Defense Conversion and Dual-Use Technology <sup>a</sup>	0.6	0.7	1.2	2.9	3.4	3.3
Drug Interdiction and Counterdrug Activities	0.5	1.2	1.3	1.2	0.9	0.7
Former Soviet Union Threat Reduction	0	0	0.2	0.4	0.4	0.4
Humanitarian Assistance	b	b	0.2	0.2	0.1	0.1
Other Miscellaneous <sup>c</sup>	<u>0.8</u>	<u>1.0</u>	<u>1.2</u>	<u>1.3</u>	<u>1.4</u>	<u>1.3</u>
Total	3.5	5.7	8.0	11.2	11.8	10.9
Memorandum: Peacekeeping <sup>d</sup>	n.a.	n.a.	n.a.	1.5	1.5	2.3 <sup>e</sup>

SOURCE: Adapted from Stephen Daggett and Keith Berner, "Items in the Department of Defense Budget That May Not Be Directly Related to Traditional Military Capabilities," Congressional Research Service Memorandum (March 21, 1994).

NOTES: These programs were identified from a broad range of activities that may or may not contribute to DoD's military capabilities.

n.a. = not available.

- a. Because of accounting changes, values for 1990 to 1992 are not strictly comparable to those for 1993 to 1995.
- b. Less than \$50 million.
- c. This category includes a number of small programs that are financed primarily in the Operation and Maintenance title, such as funding for the Summer Olympics, World Cup Soccer, disaster relief, and a variety of museum projects.
- d. Peacekeeping operations have been accommodated in the past through supplemental appropriations.
- e. Administration officials have announced that they plan to request a \$2.3 billion supplemental appropriation early in calendar year 1995.

Somalia, Rwanda, and Haiti, DoD could face higher-than-anticipated costs and could be forced to cut other activities to accommodate those expenditures. Some Members of Congress believe that the U.S. military's responsibilities in peacekeeping operations have expanded too quickly and that the resources they require reduce those needed to ensure a strong response if the United States becomes involved in combat operations more closely linked to its national interests. Other Members argue, however, that in the current geopolitical environment, it is much more likely that the U.S. military will become involved in peacekeeping and humanitarian missions than in major regional conflicts.

There is also the question of how peacekeeping operations should be financed. Under current practice, the Congress passes supplemental appropriations for the incremental costs of U.S. involvement in wars (such as that in the Persian Gulf) and for unilateral actions associated with peacekeeping and other contingency operations. In 1993, DoD received \$1.4 billion in supplemental appropriations to cover the costs of unilateral activities in northern and southern Iraq and Somalia. For 1994, DoD received a \$1.2 billion supplemental for operations in Somalia, Bosnia, Iraq, and Haiti. DoD received an additional \$299 million for costs accrued in 1994 associated with relief operations in Rwanda and processing migrants in and around Cuba.

That second installment of funding, however, was not appropriated until the start of fiscal year 1995, and the quick succession of U.S. operations in Rwanda, Cuba, Haiti, and Kuwait triggered a cash flow problem. DoD reduced funding for training and operations as a result. Administration officials have stated that they intend to request a supplemental appropriation of more than \$2 billion in 1995.

In a related matter, the Administration had proposed funding part of the U.S. assessment for United Nations contingency operations—some \$300 million for 1995—in the defense budget. Historically, those assessments have been financed through Department of State funds, but because peacekeeping is a part of DoD's national security strategy, Administration officials argue that part of the costs should be borne within its budget. Critics of the measure contend that it would be more appropriate to apply the money to budget accounts that support the readiness of U.S. troops. Ultimately, the Congress did not support this measure in its defense authorization and appropriation bills for 1995.

### Cost Growth in Acquisition Programs

The Administration proposes to spend \$423 billion to develop and procure major weapons and other equipment between 1995 and 1999—an average of \$85 billion per year. Although the FYDP envisions beginning the development of fewer weapons than previous defense plans, the Administration's blueprint includes a number of large weapons programs that are likely to experience cost growth. Examples are the Air Force's F-22 fighter, the Navy's new attack submarine, and the Army's Comanche helicopter.

History has shown that the cost of complex military systems tends to grow beyond early projections, particularly while the systems are under development and in the first few years of production. But how much pressure might DoD experience from growth in weapons costs during the 1995-1999 period? Because it is difficult to make a precise estimate, CBO tried to put some bounds on the magnitude of likely cost growth.

Research has shown that unanticipated cost growth has averaged 20 percent to 50 percent over the life of weapons programs, including both the development and production phases.<sup>28</sup> That research examined a variety of programs that differed significantly in type, technical difficulty, stage of development, and duration. Analysts at the Institute for Defense Analyses (IDA), for example, found that in the programs they observed, cumulative cost growth measured from estimates made at the start of engineering and manufacturing development (Milestone II) ranged as high as around 100 percent for tactical missiles and combat vehicles to about 15 percent for ships.<sup>29</sup> Note, however, that cost growth for a weapon system during any five-year interval of its development and production cycle may differ considerably from cost growth over its entire life.

CBO looked at plans for procurement and RDT&E spending for nearly 50 major weapon systems that are at risk of significant cost growth. Since most weapons experience little, if any, cost growth late in their production cycles, CBO did not include spending for mature programs. However, most new systems were included: the Army's Comanche and Apache Longbow programs; the Navy's F-14 fighter upgrade and the F/A-18E/F and V-22 aircraft; the Seawolf and the new attack submarine programs; the Air Force's F-22 fighter and Tri-Service Standoff Attack Missile; and spending for theater missile defense programs, among others. Using budget authority planned for

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28. See, for example, Tyson and others, "The Effects of Management Initiatives," and Jeff Drezner and others, *An Analysis of Weapon System Cost Growth*, MR-291-AF (Santa Monica, Calif.: RAND, 1993).

29. Tyson and others, "The Effects of Management Initiatives," pp. ES2-ES3.



major weapon systems as recorded in recent selected acquisition reports (SARs) and Congressional data sheets, CBO found that spending for those programs came to \$94 billion, or 22 percent of total procurement and RDT&E funding planned for the 1995-1999 period.<sup>30</sup>

The degree to which a program is at risk of cost growth depends, in part, on whether its costs have already risen and whether budget planners have anticipated more growth in their spending proposals for the future. To create an upper-bound estimate, CBO assumed that DoD acquisition planners had not built cost growth into the FYDP estimates. For each high-risk weapon system, CBO increased planned spending by the average percentage cost growth observed by IDA analysts for comparable types of platforms or systems.<sup>31</sup> As an example, for tactical aircraft, CBO applied the IDA estimate of 22 percent growth in development costs and 25 percent growth in production costs to those programs' planned levels of RDT&E and procurement spending for the 1996-1999 period.<sup>32</sup>

This approach yields an estimate of \$31 billion in additional costs during the FYDP. However, that estimate probably overstates the problem because it fails to take into account the extent to which cost growth was already reflected in planned levels of spending. To estimate a lower bound, CBO assumed that all but the average annual unanticipated increase in costs was already reflected in planned spending for high-risk systems. For the previous example of tactical aircraft programs, IDA analysts estimated that such programs experienced unanticipated cost growth of 22 percent over a six-year developmental period and growth in procurement costs of 25 percent over a production period of about 11 years. Converting those two averages into annual rates yields unanticipated cost growth of 3 percent per year for RDT&E spending and 2 percent per year for procurement. Applying those annual rates to planned spending for high-risk systems yields an estimate of \$8 billion in cost growth from 1996 to 1999.

CBO's range of \$8 billion to \$31 billion answers the question of how much weapon system costs might grow if current acquisition plans were unchanged through 1999. But a different question might be more appropriate:

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30. The Defense Department submits SARs to the Congress for those systems that require more than \$300 million in RDT&E funding or an eventual total expenditure of \$1.8 billion for procurement (as measured in 1990 dollars). Classified programs are not included.

31. Tyson and others, "The Effects of Management Initiatives."

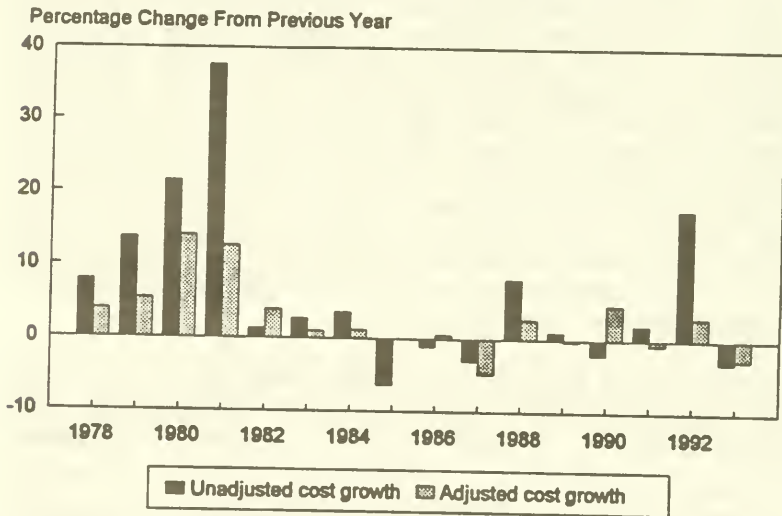
32. Because DoD planners had relatively up-to-date information about the status of high-risk programs when they developed their budget estimates for 1995, CBO assumed that program managers would be able to manage unanticipated cost growth in that year through relatively minor changes to program plans.



How will rising weapons costs affect total DoD appropriations for procurement and development? As weapons become more costly than expected, the Congress and the Administration usually react by canceling some programs and stretching out others. That process in turn reduces the pace of modernization and, to some degree, military capability. As acquisition programs are stretched out, unit costs grow. In any given year, it is difficult to predict the net effect of those actions and reactions on DoD's total investment spending.

One measure of the unpredictable nature of defense investment spending is the annual change in total program acquisition costs of major weapons programs (see Figure 2). Major weapon systems are defined here as those programs for which DoD submits a SAR to the Congress. Within the SARs, DoD estimates the RDT&E, procurement, and military construction costs for

FIGURE 2. ANNUAL CHANGE IN TOTAL PROGRAM ACQUISITION COSTS FOR MAJOR WEAPON SYSTEMS, FISCAL YEARS 1978-1993



SOURCE: Congressional Budget Office.

NOTE: Program acquisition costs include actual past and expected future expenditures for research, development, test, and evaluation; procurement; and military construction. Unadjusted values are changes over the previous year's value in the grand total of the Defense Department's current estimate of program acquisition costs for all major weapon systems. Adjusted values exclude changes associated with revised assumptions about inflation and changes in the expected quantities of weapons to be procured. Classified programs are not included.

major systems over their entire acquisition cycle—that is, actual costs for items or services that have already been delivered as well as the expected costs of purchases not yet completed. From year to year, the total program acquisition cost of SAR systems changes because some new weapons are added and those that are terminated or have completed most of their production are dropped. The percentage change in that value between any two years reflects changes in the mix of SAR systems, the expected quantity of weapons to be purchased, assumptions about future rates of inflation, and the combined cost growth of each weapon system.

Note that the annual changes shown in Figure 2 do not appear to follow any particular pattern, even after adjustments in assumptions about inflation and procurement quantities. In several recent years, total spending for SAR programs actually declined, although individual weapon systems have continued to experience significant cost growth. That outcome is the result of the Congress's and the Administration's canceling, stretching out, or deferring many major modernization programs.

### The Next BRAC Round

One other area of concern within the Administration's plan is base closure costs and savings. The funds programmed within the FYDP for the next base realignment and closure round in 1995 do not appear to match DoD's goals for that process. In a January 1994 memo, William Perry, then Deputy Secretary of Defense, noted that DoD's goal for the BRAC round scheduled for 1995 would be to reduce plant replacement value by 15 percent, roughly the same amount as that achieved by all three previous BRAC rounds combined. Yet Secretary Perry and Joint Chiefs of Staff Chairman John Shalikashvili seemed to back away from that goal somewhat in a May 1994 press release that noted the following:

Too much, too soon jeopardizes our current program; too little, too late jeopardizes our future program. These are the considerations that will determine the size and shape of the closings we will recommend to the Base Closure and Realignment Commission for 1995. If closures beyond the amount we can responsibly accomplish in 1995 are required or force structure requirements change, we will seek authority for future BRAC rounds.<sup>33</sup>

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33. Joint press release of Secretary of Defense William J. Perry and Chairman of the Joint Chiefs of Staff General John Shalikashvili, May 11, 1994.

A more recent press report suggests that service officials are once again being told to close bases aggressively in the 1995 round in order to lower DoD's overhead costs.<sup>34</sup>

A relatively small amount has been budgeted for the one-time costs associated with closing bases and other facilities. The Administration's FYDP includes a total of \$11.4 billion for the up-front costs associated with base realignments and closures from the 1988, 1991, 1993, and 1995 rounds.<sup>35</sup> Only \$2.6 billion of that total, however, is for the 1995 round, and no funds have been included for BRAC costs in 1999. According to DoD data, the FYDP assumes \$16.4 billion in savings associated with base closures from all four rounds combined (excluding revenues from the sale of land), \$3.8 billion of which should result from the 1995 round.

How does that funding compare with the funding provided for previous BRAC rounds? As a rough approximation, CBO analyzed the latest available data on the first four years of budget requests for the 1988, 1991, and 1993 rounds (BRAC-88, BRAC-91, and BRAC-93, respectively). If those funding streams were to have begun in 1996—the first year in which DoD will request budget authority for closure costs associated with the 1995 round—DoD would have requested \$3.0 billion for BRAC-88, \$4.3 billion for BRAC-91, and \$7.0 billion for BRAC-93 within the current FYDP, or a total of \$14.2 billion (see Table 12). Instead, the Administration has budgeted only \$2.6 billion. Thus, if the magnitude of the next closure round was equal to that of the first three combined, DoD would have budgeted \$11.6 billion too little for up-front closure costs.

In fairness, DoD may have learned from its earlier experiences how to conduct closures more cost-effectively, or it may have realized that the pace of closure operations proceeds more slowly than under original plans and adjusted its associated cost streams accordingly. Additionally, the types of base closures in BRAC-95 may differ somewhat from earlier ones—they may, for example, involve relocating fewer personnel and facilities. Nonetheless, the difference between the Administration's plan and recent experience is striking.

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34. Craig Rasmussen, "Military Services Told to Close as Many Bases as Possible," *Defense Week* (June 6, 1994), p. 13.

35. Funds for base closure activities—such as moving equipment and personnel, cleaning up contaminated sites, and the like—are appropriated within a special BRAC account rather than through numerous appropriation accounts. Savings that result from base closures, however, are spread throughout the budget, primarily under the O&M title.

TABLE 12. PROGRAMMED COSTS FOR BRAC-95 COMPARED WITH PREVIOUS BRAC ROUNDS, FISCAL YEARS 1995-1999  
(In billions of current dollars of budget authority)

	1995	1996	1997	1998	1999	Total, 1995-1999
If BRAC-95 Is Like BRAC-88	0	0.6	1.2	0.8	0.5	3.0
If BRAC-95 Is Like BRAC-91	0	0.4	1.8	1.7	0.4	4.3
If BRAC-95 Is Like BRAC-93	0	<u>1.2</u>	<u>2.5</u>	<u>2.8</u>	<u>0.5</u>	<u>7.0</u>
Total	0	2.1	5.4	5.2	1.5	14.2
Funding for BRAC-95 Under the Future Years Defense Program	0	0.7	0.9	1.0	0	2.6
Difference	0	1.4	4.5	4.2	1.5	11.6

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTES: Values for BRAC-88, BRAC-91, and BRAC-93 (BRAC rounds for 1988, 1991, and 1993, respectively), are one-time costs in the BRAC account less land revenues.

BRAC = Base Realignment and Closure Commission.

An offsetting trend can be observed in the FYDP's assumptions about BRAC savings: the plan includes \$3.8 billion in savings associated with the 1995 round. Yet the first three closure rounds assumed \$1.1 billion, \$3.5 billion, and \$3.5 billion in savings, respectively, during their first four years, or a total of \$8.0 billion (see Table 13).<sup>36</sup> Other analyses maintain that DoD has tended to overstate the amount of costs avoided (or savings) that result from having fewer employees on the payroll and fewer facilities to operate and maintain when bases are closed.<sup>37</sup> It is difficult to evaluate that criticism because DoD has not tracked the magnitude of costs that it has actually avoided. If savings from the first three closure rounds are reasonable estimates of actual savings and the 1995 round is the same size as the first three combined, DoD will have underestimated BRAC savings in the FYDP by some \$4.3 billion.

36. The up-front costs of base closures tend to outweigh savings during the first few years, but savings continue to accrue long after closing costs cease.

37. See, for example, GAO, "Future Years Defense Program."

TABLE 13. PROGRAMMED SAVINGS FROM BRAC-95 COMPARED WITH PREVIOUS BRAC ROUNDS, FISCAL YEARS 1995-1999  
(In billions of current dollars of budget authority)

	1995	1996	1997	1998	1999	Total, 1995-1999
If BRAC-95 Is Like BRAC-88	0	a	0.1	0.3	0.5	1.1
If BRAC-95 Is Like BRAC-91	0	0.3	0.5	1.1	1.6	3.5
If BRAC-95 Is Like BRAC-93	0	0.1	0.4	1.2	1.8	3.5
Total	0	0.5	1.0	2.7	3.9	8.0
Savings from BRAC-95 Included in the Future Years Defense Program	0	0.4	0.6	0.8	2.0	3.8
Difference	0	0.1	0.4	1.9	1.9	4.3

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTES: Savings do not include land revenues.

BRAC = Base Realignment and Closure Commission; BRAC-88, BRAC-91, BRAC-93, and BRAC-95 = BRAC rounds for 1988, 1991, 1993, and 1995, respectively.

a. Less than \$50 million.

If the combination of the first three rounds of base realignments and closures is representative of the costs of a fourth round of the same size, DoD might need as much as \$7.3 billion in additional funding to conduct the 1995 round (\$11.6 billion in costs minus \$4.3 billion in savings). By reducing the scope of that round, DoD could avoid some of the up-front costs associated with reducing its workforce, moving personnel and equipment, and cleaning up base facilities. But stretching out the BRAC process would mean carrying the costs of operating bases throughout the FYDP.

## HOW LARGE IS THE SHORTFALL IN THE FYDP?

It is difficult to pinpoint an overall shortfall for the FYDP because each of the factors outlined above is a type of risk—an outcome that may or may not happen. For example, the Congress granted military personnel a 2.6 percent pay raise for 1995, and the Administration has indicated recently that it plans



to include military pay raises that follow current guidelines in its budget through the remainder of the decade. Therefore, it is quite likely that DoD will face higher pay costs over the period. But less is known about the magnitude of cost growth for weapon systems or environmental cleanup. To add up worst-case cost estimates for a broad array of factors is tantamount to assigning a high probability that each will occur, an assumption that is without any particular foundation.

Nor does the worst-case method take into account the fact that DoD could make some adjustments in what it proposes to accomplish during the FYDP period. For example, the Administration might defer its plans for environmental cleanup, particularly those actions that are not directly related to closing bases or that do not involve immediate health risks. DoD might also reevaluate some of its funding priorities—perhaps scaling back some modernization projects.

But as a rough order of magnitude, DoD's costs are likely to be \$65 billion, or about 5 percent, higher than the Administration's plan for defense during the 1995-1999 period. That estimate takes into account those factors that have already changed or are likely to occur: larger pay raises than those assumed in the FYDP (\$23 billion), inflation at rates higher than initially projected (\$20 billion), unanticipated growth in weapon system costs (\$8 billion), a larger BRAC round (\$7 billion), and additional funding for the incremental costs of contingency operations (\$6 billion) and for quality-of-life initiatives proposed by the Administration (\$2 billion). If CBO includes higher cost growth for weapon systems and for environmental cleanup efforts, DoD's shortfall could rise to more than \$100 billion, or about 9 percent of planned spending.

CBO's \$65 billion estimate does not reflect the President's recent announcement that he plans to seek additional funds for defense, nor does it take into account the Administration's recent changes in weapons modernization programs. Together, those measures would reduce CBO's estimate to a shortfall of about \$47 billion in the 1995-1999 period, or 4 percent of total spending. Administration officials contend that their inflation projections (which are due to be released with the budget proposal for 1996) would further lower CBO's estimate.

### ADDED COSTS OF FORCE STRUCTURE UNDER THE BOTTOM-UP REVIEW BEYOND 1999

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The purchase of large numbers of weapon systems during the 1980s will allow DoD to live with less procurement spending during the 1990s. But that procurement holiday will not last forever—DoD is likely to need substantial increases in funding beyond 1999 in order to replace or modernize the forces it bought during the 1970s and 1980s.

Will current policies cause future problems for the defense budget? To address that question, CBO projected the costs of the Administration's Bottom-Up Review (BUR) force structure from the year 2000 to 2010. The projections below compile cost estimates made for each of the military services over the same period, as well as projections of costs for defensewide and defense agency activities, Department of Energy defense activities, and operations performed by other agencies that fall under the national defense budget category. Because the Administration has not published specific procurement plans for the period beyond 1999, CBO's estimates are based on what has been gleaned from statements and the stated goals of the Administration. Assumptions about the timing, cost, and production rates for specific weapon systems can be found in three companion pieces to this paper.<sup>38</sup>

For each year, CBO made two estimates of national defense costs: one assuming that future Administrations would constrain the growth in costs of weapon systems and another in which costs for selected major systems grew at rates consistent with historical experience. Those estimates should not be interpreted as a range with statistical meaning. Instead, the range reflects two distinct sets of estimating assumptions that differ primarily according to whether they include cost growth for major weapons.

In this paper, CBO includes the effects of rising costs for weapons to show how significant that upward pressure may be. But those projections reflect *costs* of the BUR force structure and are not a prediction of what the national security *budget* might be.

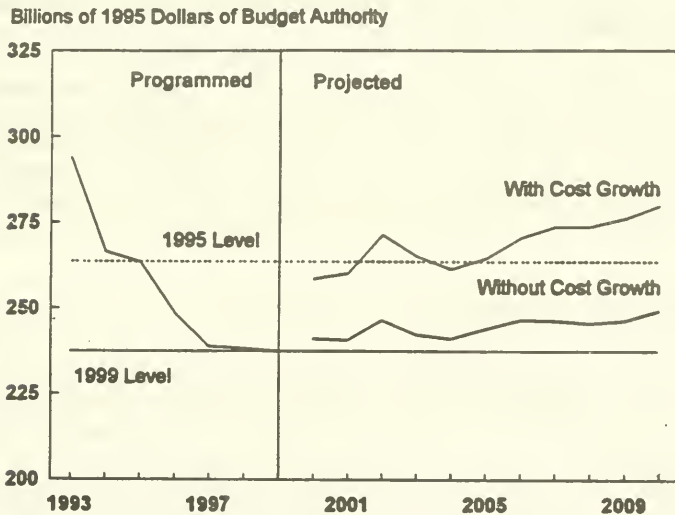
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38. Congressional Budget Office, "Long-Term Implications of the Administration's Plans for the Navy" (November 1994); "Long-Term Implications of the Administration's Plans for the Army" (November 1994); and "Long-Term Implications of the Administration's Plans for the Air Force" (November 1994).

### Approximate Size of Increases to Accommodate Modernization Needs

Under CBO's assumptions, the Administration's plan for national defense spending for the 2000-2010 period would cost an average of \$7 billion to \$31 billion more per year (in 1995 dollars) than the level of spending programmed within the FYDP for 1999, or between 3 percent and 13 percent more (see Figure 3). That finding has major implications for policy options that the Congress and the Administration might pursue, since postponing modernization costs today could make the long-term situation worse. The costs of the BUR force structure would peak in 2002 because of the purchase of an aircraft carrier in that year. They would then increase toward the end of the decade as the Air Force begins procurement of an aircraft from the Joint Advanced Strike Technology program and the Navy increases the annual rate at which it procures F/A-18E/F aircraft.

FIGURE 3. LONG-TERM IMPLICATIONS OF THE ADMINISTRATION'S PLAN FOR NATIONAL DEFENSE SPENDING



SOURCE: Congressional Budget Office.

A future Administration will not necessarily need, say, a \$20 billion increase in defense spending in the year 2000. Instead, the Congress and the Administration are likely to make adjustments to both programmed levels of defense spending for 1999 and the number and timing of major procurement programs that are now under way. CBO's projections provide one estimate of how modernization of BUR forces might take place and the magnitude of funding increases that might be needed to achieve that procurement schedule.

### CBO's Outlook for the Federal Budget Deficit

Rising defense costs could contribute to a higher federal deficit in the next decade. CBO's projection of the deficit assumes that the Congress makes no changes in current law or in policies that affect revenues and mandatory spending. Under those assumptions, the federal budget deficit would fall to \$162 billion in 1995 but would then begin to increase, rising to \$176 billion in 1996. The deficit would continue on an upward course to \$397 billion in 2004, the last year for which CBO has made a projection.<sup>39</sup> If the Congress chooses to fund the defense budget at a higher level in the coming decade without cutting nondefense programs by an equal amount, the federal budget deficit could be even higher.

The growth in the deficit after 1995 will be driven by increases in spending for two mandatory programs, Medicare and Medicaid, which have been growing by annual rates well above those for inflation in the economy as a whole. The projections assume that overall discretionary spending is limited to the amounts specified in OBRA-93 through 1998 and keeps pace with inflation thereafter, implying no real growth in that category of spending.

### OPTIONS FOR ADDRESSING THE SHORTFALL

The Congress and the Administration may need to consider a broad spectrum of programmatic changes to address the potential mismatch between resources and force structure for the 1995-1999 period. This section outlines illustrative options that fall under four general approaches: increasing defense spending, constraining DoD's responsibilities, lowering DoD's costs of doing business, or reducing military capability. Some of the options described below could fall under more than one of the above approaches; restructuring roles and missions among the services, for example, might improve efficiency in DoD operations but could reduce military capability as well.

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39. Congressional Budget Office, *The Economic and Budget Outlook: An Update* (August 1994), pp. 30-31.



### Increase Defense Spending

The premise for the Administration's Bottom-Up Review was that U.S. forces should be able to fight and win two major regional conflicts nearly simultaneously—for example, one in the Persian Gulf and one on the Korean peninsula. There is considerable debate as to whether those forces—10 active (plus 5 reserve) Army divisions, 11 active (1 reserve) aircraft carriers, and 13 active (7 reserve) Air Force tactical fighter wings—would be able to achieve that objective. A March 1994 analysis by CBO argued that when the superior quality of U.S. equipment was taken into account, the United States would be able to bring considerable forces to bear.<sup>40</sup> But others believe that even if BUR forces were capable of the task in theory, the Administration's planned levels of defense spending are not adequate to keep those forces ready for conflict.

Under that line of reasoning, the Congress may choose to increase national defense spending over the remainder of the decade. But more defense spending does not necessarily guarantee enhanced readiness or greater military capabilities; it could also be used, for example, to retain facilities that might otherwise be considered excess. And under discretionary spending caps set through 1998, the Congress would need to cut nondefense programs by an amount equal to defense increases. Such actions may be difficult to achieve at a time when issues like crime, education, welfare reform, and health care reform occupy positions of considerable importance on the national policy agenda.

### Limit DoD's Responsibilities

The policy alternatives described below could reduce the need for defense resources. But in order to forestall a significant shortfall in the defense budget, one would need to carry out all of those alternatives. The Congress and the Administration may want to consider pursuing some of the options in combination with policies that would have a larger effect on defense funding needs.

Cut Nontraditional Spending. Some types of spending not directly tied to operating and supporting forces might be cut back without affecting readiness or military capability. The Congress might choose, for example, to slow some of DoD's environmental cleanup efforts or reduce the amount of money spent on programs to help defense firms convert to commercial markets. The

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40. CBO, "Planning for Defense."



Congress might also reconsider what part the nation should play in humanitarian, peacekeeping, and other contingency operations. If the United States continues its role in current operations or expands those efforts, should funding for that involvement replace spending for training and support in more traditional warfighting operations?

Under a broad interpretation of the term "nontraditional spending," that category accounts for about \$11 billion to \$13 billion in annual defense expenditures. If DoD's responsibilities were defined more narrowly to exclude some of these activities, there might be less pressure on defense costs. But that change might not lower overall federal spending if the responsibility for those programs was simply transferred to another federal agency. And unless the Congress was willing to eliminate most or all of the programs, it seems doubtful that savings from this area would, by themselves, cover the likely size of DoD's shortfall.

**Cut Programs Designed to Protect the Defense Industrial Base.** In recent years, the Administration and the Congress have included funding within the defense budget for some weapon systems not only because they meet a military need but also because the industry that produces that equipment would lose important skills and capabilities if production ceased. Advocates of, for example, the purchase of a third Seawolf submarine argue that it may be less expensive to purchase additional weapons today than to close down their production lines and restart them some time in the future.<sup>41</sup> That argument does not apply, however, to all systems. In the case of upgrades to the M1 tank, for instance, a CBO analysis found that an upgrade program would be more costly than mothballing the production line.<sup>42</sup> In addition, weapons programs add military capability (of whatever importance) to the U.S. arsenal. Critics, however, contend that the benefits of policies that aim to sustain military design and production capabilities are too nebulous—it is unclear when or even if the United States will need to restart production lines in the future. In the meantime, spending for unnecessary programs is undertaken at the expense of today's military readiness.

The magnitude of potential savings from cuts to defense industrial base programs depends on what one includes within that category. It seems clear, for example, that initiatives for the M1 upgrade, the Seawolf submarine, and the ammunition industrial base are designed with future production capability

41. John Birtler and others, *The U.S. Submarine Production Base*, MR-456-OSD (Santa Monica, Calif.: RAND, 1994).

42. Congressional Budget Office, "Alternatives for the U.S. Tank Industrial Base," CBO Paper (February 1993).

in mind.<sup>43</sup> But other weapons purchases might be included under this category as well, depending on one's opinion about the necessity of their associated military capability.

### Do Business More Efficiently

The Congress and the Administration are in the midst of policy changes that aim to reduce DoD's costs of doing business. If that aim is achieved, some but probably not all of the funding pressures that DoD is likely to face during the FYDP period could be alleviated.

Reform the Acquisition Process. Under the Administration's National Performance Review (NPR) and recent legislative changes to the procurement process, the costs of buying weapons and equipment could fall. Indeed, the Administration is counting on this to be the case: it assumed that federal agencies would save about \$12 billion during the 1995-1999 period because of NPR initiatives. DoD was told to reduce its budget authority in 1995 by \$315 million as a result of that assumption, but if future cuts are proportional to its share of discretionary spending and procurement costs do not fall, DoD may need to make programmatic changes that would reduce its budget by \$5.1 billion over the 1996-1999 period.

How much in savings should DoD count on from acquisition reform? Over the years, numerous Administrations have attempted to overhaul DoD's procurement process and improve its efficiency, yet most analysts consider those efforts to have met with little success. The 1984 Grace Commission and the 1986 Packard Commission, for example, are just two of many panels that have suggested initiatives to improve acquisition efficiency. But few of the calls for simplifying procurement practices and using products widely available in the commercial sector have ever been implemented by the Defense Department.

The Administration has taken concrete steps to address acquisition reform. For example, Secretary Perry has initiated a process to review and reduce the number of military specifications, and DoD now has a pilot program under which six major acquisition projects may use commercial practices. The Congress adopted many of the statutory changes recommended by DoD's Acquisition Law Advisory Panel in the Federal Acquisition Streamlining Act, which was passed in September 1994. The Defense Department has begun as well to reduce its workforce under NPR guidelines,

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43. Department of Defense, *Industrial Capabilities for Defense* (September 1994).

although cuts in the acquisition corps of the services have not yet been as large as those for the procurement projects they oversee.<sup>44</sup> It remains to be seen, however, what magnitude of savings those steps may produce.

Consolidate Infrastructure. Although military forces have declined by 30 percent to 45 percent between 1990 and 1995, the replacement value of DoD's bases and facilities will have fallen by only about 15 percent (20 percent, if one includes all facilities worldwide) once currently planned closures are completed. That relatively small drop suggests that the costs of operating and supporting each unit of U.S. forces may have increased. In the face of such a restrictive spending climate, it is critical that DoD find ways to reduce its infrastructure burden.

A recent CBO paper points to several areas in which support functions might be restructured and consolidated to reduce costs, including military medical care, family housing, the acquisition workforce, depot maintenance, intelligence activities, and pilot training.<sup>45</sup> In the case of weapons maintenance, for example, CBO's analysis found that, given the services' projections of future workload and depot capacity, DoD could close up to seven public depots in the 1995 BRAC round and ultimately reduce defense costs by about \$400 million per year. In many cases, the services could downsize their support functions independent of one another. But given each service's desire to keep control over its own support operations and the political and bureaucratic obstacles to downsizing, the Administration and the Congress should also consider assigning primary responsibility for certain support activities to a lead service or restructuring separate activities into joint operations.

### Options That Reduce Capabilities

Those policy alternatives that are most certain to pare defense costs involve reducing military capabilities.

Reassign Roles and Missions Among the Services. Assignments of combat roles and missions among the services have remained basically unchanged since U.S. military leaders came to an agreement on the matter nearly 50 years ago in Key West, Florida. The downturn in defense spending, however, has reinvigorated debate about the issue. Indeed, in its defense authorization

44. Congressional Budget Office, "Easing the Burden: Restructuring and Consolidating Defense Support Activities," CBO Paper (July 1994).

45. Ibid.

bill for 1994, the Congress set up an independent commission to review the current assignments of roles and missions among the services with an eye toward reducing duplication of efforts and defense costs.

In March 1994 testimony before the Senate Budget Committee, CBO analyzed several possible changes to combat responsibilities among the services.<sup>46</sup> Under one such change, the Marine Corps would be assigned primary responsibility for providing contingency forces. Other options included making the Army responsible for its own close air support rather than relying on the Air Force, reducing the number of Navy aircraft that support Marine operations, relying on Air Force bombers rather than planes on Navy aircraft carriers to conduct air strikes on distant targets, and increasing the Army's role in theater missile defense.

The topic of roles and missions is contentious; each service vigorously defends its current missions and the resources it is assigned to carry them out. And although the options presented here have the potential to save considerable amounts of money, some changes would arguably reduce military capability—an outcome that is not widely popular in the aftermath of significant cuts that have already been made to achieve BUR force levels.

**Spend Less to Maintain Readiness.** For 1995, the Administration's plan appears to emphasize O&M spending, a budget category that funds activities related to readiness such as training and weapons maintenance. It is difficult to determine how well the Administration's plan funds readiness-related activities over the remainder of the decade. The drawdown in personnel and in forces, together with the uncertainty surrounding the magnitude of future base closures, makes it unclear whether the O&M dollars programmed in the FYDP are sufficient.

Some people argue that contingency operations have already affected readiness: spending for smaller-scale missions has drawn off resources that would otherwise have been used for traditional training exercises, repair of equipment, and other activities that prepare U.S. forces for combat. Whatever the current status of U.S. readiness may be, as upward pressure on defense costs increases, it seems clear that readiness will ultimately be affected. If the Administration and the Congress hold on to excess infrastructure, for example, the burden of keeping those facilities open would leave fewer resources available for activities that affect readiness directly.

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46. Statement of Robert D. Reischauer, Director, Congressional Budget Office, before the Senate Committee on the Budget, March 9, 1994.



Cut Force Structure. Given the pressures on the defense budget, the Administration and the Congress may be forced to consider whether the objectives of the BUR's two-war scenario are appropriate ones for the United States. If the most likely foes have forces less capable than those included as part of the Administration's assumptions during its Bottom-Up Review, or if one believes that U.S. forces are likely to be used sequentially rather than simultaneously in major regional conflicts, the United States may be willing to assume greater risk in return for lower levels of defense spending. Alternatively, some Members of Congress believe that the United States must maintain the ability to fight and win two conflicts. Otherwise, an ambitious adversary could take advantage of U.S. involvement in one war to achieve its aims.

Cancel Weapons Programs or Delay Some Modernization. One approach that the Administration and some Members of Congress seem willing to consider is to cancel some new weapon systems currently under development. Given the large numbers of platforms that were purchased during the 1980s, that approach may be acceptable for some categories of weapons. The Congress has recently debated, for example, whether the Navy needs its new attack submarine, a system designed to sustain a 45- to 55-ship attack sub force at lower cost than alternative submarines such as the Seawolf. The Administration recently announced that it plans to cancel or dramatically restructure two major programs considered to be among the services' highest priorities, the Tri-Service Standoff Attack Missile and the Comanche helicopter. (The Army will purchase two prototype Comanches but will not procure large numbers of the helicopter in the 1996-2001 period.)

A related alternative is for DoD to delay some of its modernization plans. For example, the Administration will delay development of the Marine Corps's advanced amphibious assault vehicle by two years and the Air Force's F-22 fighter aircraft by a few months. Procurement of new equipment cannot be postponed indefinitely, however, and delays may make DoD's long-term budget situation more problematic.

Another tactic is to reduce the annual quantities produced for weapon systems for which procurement is already under way. The Administration has decided, for example, to slow the rate at which it procures DDG-51 destroyers and postpone production of the new attack submarine. That approach reduces annual expenditures for those weapons, but for weapons whose production is marked by economies of scale (such as aircraft), each unit costs more. During the current period, annual rates of production for many weapon systems are already low, so the cost of that approach could be considerable.



**STATEMENT OF HENRY L. HINTON, JR., ASSISTANT COMPTROLLER GENERAL FOR NATIONAL SECURITY AND INTERNATIONAL AFFAIRS, GENERAL ACCOUNTING OFFICE**

The CHAIRMAN. Mr. Hinton, would you go ahead.

Mr. HINTON. Thank you, Mr. Chairman.

With your permission, I would like to ask that our July 1994 report and my prepared statement be submitted for the record, and I will briefly summarize my remarks.

The CHAIRMAN. Without objection.

Mr. HINTON. Mr. Chairman, Mr. Dellums, members of the committee, I am pleased to be here today to discuss our July 1994 report on DOD's future year defense program, known as the FYDP, for fiscal years 1995 through 1999.

This FYDP represents DOD's blueprint and supporting cost estimates for the defense strategy articulated in the Bottom-Up Review. We found that Department of Defense had too many programs for the available dollars. We refer to this as overprogramming.

This is not a new problem. Since the mid-1980's, we have been reporting that Department of Defense employs a systemic bias towards overly optimistic planning, which led to instability, costly program stretch-outs and program terminations. We believe such unrealistic planning provides an unclear picture of defense priorities because tough decisions and tradeoffs are avoided. Instead, program decisions end up being made on a piecemeal basis to meet each year's funding decisions realities.

We estimated the overprogramming in the 1995 to 1999 FYDP could exceed \$150 billion and fell into three categories: one, negative adjustments; two, overstated savings; and three, understated costs.

Concerning negative adjustments, the Department of Defense said its defense program exceeded the President's guidance by \$20 billion. To accommodate the \$20 billion, the Department of Defense used negative adjustments to make the FYDP totals agree with the President's budget. We believe this was inappropriate and contrary to congressional intent.

As to overstated savings, the Department of Defense assumed savings of \$32 billion from the combination of the first three rounds of base closures and from defense management report initiatives. We think these were overly optimistic, based on our past work. If the savings are not achieved the Department of Defense will have to reduce programs or ask for budget increases, because the savings are factored into the FYDP.

As to understated costs, we stated that the cost estimates for the fourth round of base closures, weapons system development procurement, environmental remediation, and pay raises might be understated by about \$112 billion. I need to point out that \$58 billion of this relates to matters concerning major weapons systems.

On the issue of base closures, an issue that you will soon have before you, Department of Defense significantly understated the cost of the 1995 round in the FYDP. By understating these and other costs, we believe Department of Defense was able to include billions of dollars in additional programs in the FYDP.

Now, since our July 1994 report, the administration has stated that it will take, as Ms. Williams pointed out, actions that could correct some imbalance between programs and projected funds for those programs.

Specifically, the President said he plans to provide the Department of Defense with additional \$25 billion, \$10 billion of which will apply to the 1995 through 1999 period. The Department of Defense also announced it will stretch out, reduce, or terminate seven major programs and save about \$8 billion through 2001.

The actions planned by the Department of Defense, clearly illustrate what can happen when overprogramming exists. The Department of Defense has made tough decisions to meet its downsizing goals. We believe it will continue to face some tough choices as it tries to bring its programs in line with available dollars.

With that, that concludes my opening statement, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Hinton.

[The prepared statement of Mr. Hinton follows:]

GAO

## Testimony

For Release  
on Delivery  
Expected at  
10:00 a.m., EDT,  
Thursday,  
January 19, 1995

## FUTURE YEARS DEFENSE PROGRAM

Optimistic Estimates Lead to  
Billions in Overprogramming

Statement of  
Henry L. Hinton, Jr., Assistant Comptroller General,  
National Security and International Affairs Division

Before the  
National Security Committee, House of Representatives



Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss our July 1994 report on the Department of Defense's (DOD) Future Years Defense Program (FYDP).<sup>1</sup> Our report stated that DOD had included more programs in its 1995-99 FYDP than future spending plans could support and that the amount overprogrammed could exceed \$150 billion. Since that time, the President and DOD have agreed to changes that could correct some of the imbalance between programs and available funds.

#### BACKGROUND

The FYDP is a classified database of current and projected force structure, costs, and personnel levels approved by the Secretary of Defense. The projections are made far enough ahead to enable DOD to estimate the future implications of its current decisions. The 1995-99 FYDP represents DOD's blueprint and supporting cost estimates for the defense strategy articulated in the Bottom-Up Review. The FYDP has an estimated cost of about \$1.2 trillion over 5 years.

Congress enacted legislation in 1987 requiring DOD to submit future years program and budget information consistent with the President's budget. This law was in response to congressional

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<sup>1</sup>Future Years Defense Program: Optimistic Estimates Lead to Billions in Overprogramming (GAO/NSIAD-94-210, July 29, 1994).

concern that the FYDPs have contained more programs than funding projections would support. We have been reporting on this problem since the mid-1980s when DOD funding began to decline. Our work since that time has shown that DOD has had an imbalance between programs and projected funds. This overprogramming tends to obscure defense priorities and delay tough decisions and trade-offs. Over the years, DOD has employed a systemic bias toward overly optimistic planning assumptions. The use of optimistic planning assumptions has led to program instability, costly program stretch-outs, and program terminations.

#### OVERPROGRAMMING IN 1995-99 FYDP

Our review of the 1995-99 FYDP revealed a substantial amount of risk in projected savings and costs that had resulted in overprogramming. This overprogramming falls into three categories: negative adjustments, overly optimistic savings, and understated costs. We estimated that the amount overprogrammed could exceed \$150 billion.

#### Negative Adjustments

DOD stated that its 1995-99 FYDP had undistributed future negative adjustments of \$20 billion, which reflected last-minute changes due to revised inflation indexes for which DOD could not adjust its programs. Our analysis revealed an additional \$1.5



billion in negative adjustments in the research and development account. DOD used negative adjustments to reflect this overprogramming and give the FYDP totals the appearance of being consistent with the President's budget.

The use of negative adjustments is appropriate in many instances, such as for offsetting receipts and foreign currency fluctuations. However, we do not believe it is appropriate for DOD to use negative adjustments as substitutes for resource decisions necessary to bring programs, projects, and resources in conformance with the President's budget.

#### Overly Optimistic Savings

In its 1995-99 FYDP, DOD assumed that about \$32 billion in savings would be realized due to base closures or realignments and Defense Management Report initiatives. On the basis of our past work, we believe that these savings may be overly optimistic. If the savings are not achieved, DOD will have to reduce programs or ask for a budget increase.

As a result of recommendations by three separate independent commissions in 1988, 1991, and 1993, Congress approved the closure or realignment of 247 defense activities. The FYDP assumed that DOD would realize a net savings of about \$5 billion from these actions over the 1995-99 period. At the time of our

report, DOD had only completed about 20 percent of base closure actions planned, and savings had not been achieved as early as anticipated. For example, DOD's total anticipated savings for the first and second rounds of base closures and realignments was estimated to be about \$10 billion, or 23 percent less than DOD's original estimate of about \$13 billion.

The 1989 Defense Management Report proposed consolidations and management improvements that were estimated to save tens of billions of dollars in support and overhead costs. DOD officials told us that nearly \$27 billion was expected to be saved during 1995 through 1999. We have previously questioned whether the estimated savings from these improvements could be achieved.<sup>2</sup> Our work in one major area indicates the difficulty in achieving the savings. This area, the Corporate Information Management initiative,<sup>3</sup> affects 28 other Defense Management Report initiatives that comprise a major portion of the savings expected by 1997. DOD began this initiative over 4 years ago but has yet

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<sup>2</sup>Defense Management Review (GAO/NSIAD-94-17R, Oct. 7, 1993), Financial Management: DOD Has Not Responded Effectively to Serious, Longstanding Problems (GAO/T-AIMD-93-1, July 1, 1993), Defense Business Fund (GAO/AFMD-93-52R, Mar. 1, 1993), National Security Issues (GAO/OGC-93-9TR, Dec. 1992), and Defense ADP: Corporate Information Management Savings Are Not Supported (GAO/IMTEC-91-18, Feb. 22, 1991).

<sup>3</sup>This initiative is to improve defense operations and administrative support by streamlining business processes, upgrading information systems, and improving data administration and other technical areas.

to demonstrate any discernable progress toward its goal of achieving substantial savings.<sup>4</sup>

#### Understated Costs

A substantial amount of cost risk is associated with the 1995-99 FYDP. Our July 1994 report stated that the cost estimates in the 1995-99 FYDP for the fourth round of base closures and realignments, weapon system development and procurement, environmental remediation, pay raises, and peacekeeping operations might be understated by about \$112 billion. By underestimating costs, DOD was able to include billions of dollars in additional programs in the FYDP.

DOD had significantly understated the costs associated with the planned fourth round of base closures and realignments scheduled to begin in 1995. Round four is expected to close an equivalent number of defense activities as the three previous rounds combined. On the basis of a round of this size, we estimated potential costs could exceed the amount shown in the FYDP by more than \$8 billion. Most DOD savings from the 1995 round would likely be realized beyond the 1995-99 FYDP period.

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<sup>4</sup>Defense IRM: Management Commitment Needed to Achieve Defense Data Administration Goals (GAO/AIMD-94-14, Jan. 21, 1994) and Defense ADP: Corporate Information Management Must Overcome Major Problems (GAO/IMTEC-92-77, Sept. 14, 1992).

Program cost increases and schedule delays, two of the most prevalent acquisition problems, are among the oldest and most visible problems associated with weapon systems. Program cost increases of 20 to 40 percent have been common for major weapon programs, and numerous programs have experienced increases much greater than that. For example, in April 1994, we testified that the cost growth being experienced on a number of current major Navy systems was as much as 100 percent.<sup>3</sup> DOD plans to procure equipment valued at about \$260 billion over the next 5 years, of which \$192 billion is for weapon systems or weapon-related acquisitions. DOD also plans to spend \$164 billion in research and development over the next 5 years, of which \$100 billion is for advanced phases of research and development related to weapon systems. On the basis of a conservative growth estimate of 20 percent, we expect current procurement estimates for weapon systems now in the FYDP to rise by at least \$38 billion and research and development to rise by at least another \$20 billion during the FYDP period.

In recent testimony before the Senate Budget Committee, the Secretary of Defense characterized environmental restoration and pollution prevention as one of the fastest growing items in the defense budget. At current funding rates, DOD would spend about \$28 billion on environmental costs for fiscal years 1995-99. As

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<sup>3</sup>Navy Modernization: Alternatives for Achieving a More Affordable Force (GAO/T-NSIAD-94-171, Apr. 26, 1994).

of March 1994, the Congressional Budget Office estimated that DOD's cost projections over the FYDP period might be understated by \$20 billion.

Congress had not completed action on the military and civilian pay raises as of July 1994. The administration had proposed holding military and civilian pay raises below the amount called for under current law. According to the Congressional Budget Office, the pay raises granted to military and civilian workers for 1995 will add \$5.6 billion to payroll costs over the 1995-99 period, and future pay raises could add an additional \$17 billion over the 1996-99 period.

According to DOD, the FYDP did not include funds for DOD's participation in peacekeeping activities. The 1994 budget included a modest request for peacekeeping, which was disapproved by all four defense oversight committees. DOD requested and received supplemental appropriations for peacekeeping operations for fiscal year 1994. According to DOD, it received \$1.2 billion (\$347 million in new budget authority) in February 1994 primarily for operations in Somalia, Bosnia, and Southwest Asia and received an additional \$299 million in September 1994 for humanitarian efforts in Rwanda and the processing of refugees from Cuba. DOD officials stated that the Department intended to request a supplemental appropriation of more than \$2 billion in 1995.



ACTIONS BY THE ADMINISTRATION SINCE OUR REPORT

Since our July 1994 report, the administration has stated that it will take actions that could correct some of the imbalance between programs in the FYDP and projected funds for those programs.

On December 1, 1994, the President announced that he planned to seek an additional \$25 billion for defense for fiscal years 1996 through 2001. Of this amount, \$10 billion will apply to 1996-99, and \$15 billion is projected for 2000-01. Presently, DOD plans to use these funds for military pay, readiness, quality of life, and modernization programs.

On August 18, 1994, the Deputy Secretary of Defense directed the military services to examine the implications of delaying or canceling nine major weapon acquisition programs. On December 9, 1994, the Secretary of Defense announced changes that would affect seven of these programs and save an estimated \$7.7 billion during fiscal years 1996-2001. According to DOD, the savings will be applied to programs affecting military pay, readiness, and quality of life. Over half of the savings will result from (1) canceling the Tri-Service Stand-Off Attack Missile, a system that has had significant development difficulties and cost growth, and (2) restructuring the Army's Comanche helicopter program. The other five weapons programs, which will be

primarily delayed or stretched out, are the DDG-51 AEGIS destroyer, new attack submarine, V-22 Osprey aircraft, Advanced Amphibious Assault Vehicle, and the F-22 fighter aircraft. These program changes reflect what can happen when overprogramming occurs: programs are being stretched out, reduced, or terminated so they can be in line with available funding.

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Mr. Chairman, this concludes my prepared statement. I will be glad to answer any questions you or members of the Committee may have.

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United States General Accounting Office

GAO

Report to Congressional Requesters

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July 1994

# FUTURE YEARS DEFENSE PROGRAM

## Optimistic Estimates Lead to Billions in Overprogramming



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GAO/NSIAD-94-210



United States  
General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

B-238512

July 29, 1994

The Honorable Charles E. Grassley  
United States Senate

The Honorable William V. Roth, Jr.  
United States Senate

The Honorable John Conyers, Jr.  
Chairman, Subcommittee on Legislation  
and National Security  
Committee on Government Operations  
House of Representatives

The Honorable John R. Kasich  
House of Representatives

There is concern in Congress that the fiscal year 1995 Future Years Defense Program (FYDP) submitted by the Department of Defense (DOD) is overprogrammed, or contains more programs than the President's current funding projections will support. At your request, we (1) examined major funding assumptions underlying DOD's FYDP and (2) determined whether the FYDP complies with statutory requirements.

## Background

The FYDP is a classified database that provides an official set of planning assumptions for use throughout DOD. It is an authoritative record of current and projected force structure, costs, and personnel levels approved by the Secretary of Defense. The projections are far enough ahead to enable DOD to estimate the future implications of its current decisions. In the annual FYDP documents, which by law have been provided to Congress since 1988, DOD presents its estimated expenditures and appropriations needs for the budget year for which funds are being requested, at least the 4 years following it, and the 2 years preceding it.

FYDP funding projections peaked in 1986 at nearly \$2 trillion and have been declining ever since. Because of the dramatic changes that resulted from the end of the cold war and the dissolution of the Soviet Union, the FYDP fell to about \$1.2 trillion for fiscal years 1994 through 1998. The fiscal year 1995 FYDP (1995-99) represents DOD's blueprint and supporting cost estimates for the defense strategy articulated in the Bottom Up Review. It also has an estimated cost of about \$1.2 trillion over 5 years.

Congress enacted legislation in 1987 requiring DOD to submit future years program and budget information consistent with the President's budget. This enactment was a response to congressional concern that DOD's FYDPs have contained more programs than funding projections would support. We have been reporting on this problem since the mid-1980s when DOD funding began to decline. Our work since that period has shown that too many development and acquisition programs were underway—more than could be funded at future funding levels being proposed by the President. We have reported that such overprogramming tends to obscure defense priorities and delay tough decisions and trade-offs.

## Results in Brief

Our review of the 1995-99 FYDP revealed a substantial amount of risk that has resulted in overprogramming. This overprogramming could be in excess of \$150 billion.

DOD's current FYDP is overprogrammed by about \$20 billion when compared with the Administration's fiscal year 1995 budget submission. The \$20 billion is the sum of four negative accounting entries and is clearly labeled in the FYDP as "undistributed future adjustments." Our analysis revealed an additional \$1.5 billion in negative adjustments in the research and development account. We believe that it is inconsistent with congressional intent for DOD to use negative adjustments (reflected as negative accounting entries) to unspecified programs to balance FYDP funding estimates with those in the President's budget.

DOD officials said that the \$20 billion reflected last minute changes due to revised inflation indices for which DOD could not adjust its programs. However, the Congressional Budget Office concluded that the \$20 billion in future adjustments indicated problems clearly beyond the question of inflation.

In addition to the \$21.6 billion in unspecified overprogramming, our current analysis found substantial overestimation of future savings and underestimation of costs. For example:

- The FYDP contains \$32 billion in projected savings that may be only partially realized. These are from base closures and Defense Management Report initiatives over the planning period.
- The FYDP also contains about \$112 billion in potential cost increases for base closures, weapon systems, personnel pay, environmental remediation, and peacekeeping operations.



By overstating savings and understating costs, more programs are included in the FYDP than spending plans will support. This overprogramming is not new. Since 1984, we have consistently disclosed that DOD employs a systemic bias toward overly optimistic planning assumptions.<sup>1</sup> The use of optimistic planning assumptions has led to program instability, costly program stretch-outs, and program terminations.

DOD officials do not agree with our methodology for estimating the risk in the current FYDP. We used the most current estimates available to us in computing the risk in projected savings and costs and believe that our methodology is sound.

### FYDP Submission Is Not in Accordance With Congressional Intent

Section 221 of Title 10 of the United States Code states "The Secretary of Defense shall submit to Congress each year, at or about the time that the President's budget is submitted . . . a future-years defense program . . . reflecting the estimated expenditures and proposed appropriations included in that budget." The provision requires that program and budget information submitted to Congress by DOD be consistent with the President's budget submission. The purpose of this law is to ensure that the Secretary of Defense make the hard decisions necessary to fit DOD programs within the budget.

The fiscal year 1995 FYDP contains a negative \$20.1 billion in future program/budget adjustments. We identified an additional \$1.5 billion in undistributed future reductions in the research and development account. DOD used negative adjustments to offset the overprogramming and give the FYDP totals the appearance of being consistent with the President's budget. According to DOD officials we spoke to, efforts will be made to eliminate the undistributed future adjustments in preparation for the fiscal year 1996 budget cycle.

DOD officials said that the \$20.1 billion reflected last minute changes due to revised inflation indices for which DOD could not adjust its programs. The Congressional Budget Office reported in April 1994 that the future adjustments indicate funding problems beyond the question of inflation estimates.<sup>2</sup> According to the Congressional Budget Office, the difference in

<sup>1</sup>A list of related GAO products is included at the end of this report.

<sup>2</sup>An Analysis of the President's Budgetary Proposals for Fiscal Year 1996 (Congressional Budget Office Apr. 1994).

B-238512

inflation assumptions would start out small in 1996 at about \$2 billion and grow to about \$7.5 billion in 1999, as the costs of the assumptions of higher prices cumulate. By contrast, DOD's future adjustments start at \$6.4 billion in 1996 and dwindle to \$3.3 billion in 1999.

The use of negative accounting entries is appropriate in many instances, such as adjustments for offsetting receipts and foreign currency fluctuations. However, we do not believe it is appropriate for DOD to use negative adjustments as substitutes for resource decisions necessary to bring programs, projects, and resources in conformance with the President's budget.

Table 1 shows how DOD used negative entries to reconcile about \$21.6 billion in overprogramming with the Administration's lower fiscal guidance.

**Table 1: Comparison of DOD's Program and the President's Budget Submission**  
in billions of current dollars

	Fiscal year					Total
	1995	1996	1997	1998	1999	
DOD program	\$252.15	\$250.20	\$245.90	\$252.12	\$256.79	\$1,257.16
<b>Less negative entries</b>						
Future adjustments		-6.43	-5.37	-5.02	-3.26	-20.08
Adjustments to research and development		-0.33	-0.35	-0.38	-0.41	-1.47
<b>Total negative entries</b>		<b>\$-6.76</b>	<b>\$-5.72</b>	<b>\$-5.40</b>	<b>\$-3.77</b>	<b>\$-21.65</b>
<b>President's budget</b>	<b>\$252.15</b>	<b>\$243.44</b>	<b>\$240.23</b>	<b>\$246.72</b>	<b>\$253.02</b>	<b>\$1,235.56</b>

Note: Totals may not add due to rounding.

Source: GAO analysis of DOD data.

We have reported and testified in the past on DOD's tendency to overestimate the amount of funds available for defense. We have referred to this as DOD's plans/reality mismatch. We believe such unrealistic planning provides an unclear picture of defense priorities because tough decisions and trade-offs are avoided. Instead, program decisions end up being made on a piecemeal basis to meet each year's funding realities. This is not an effective way for DOD to manage.

Refinements in section 221 have not adequately improved the integrity and credibility of DOD planning. It is clear from the legislative history of section

221 that Congress intended that DOD provide updated information in its FYDP to reflect the most recent budget figures and show in detail how those budget figures would affect "the out-years of the five year period presented in the [FYDP]" documents. DOD's use of negative adjustments in its FYDP to offset overprogramming is not expressly prohibited by law, but it is inconsistent with this congressional intent. Further, we believe that the use of overly optimistic costs and savings estimates as a way to include more programs in the FYDP than the President's funding guidance can support also is inconsistent with congressional intent.

### Savings Estimates of \$32 Billion May Be Overstated

In its 1995-99 FYDP, DOD assumed that about \$32 billion in savings would be realized due to base closures and Defense Management Report initiatives. On the basis of past work, we believe that these savings estimates may be overly optimistic. If they are not achieved, DOD will have to reduce programs or ask for a budget increase. Moreover, DOD is not tracking the savings due to Defense Management Report initiatives and will have little basis to know whether those savings are being achieved. Table 2 outlines the net savings that DOD anticipates in the 1995-99 FYDP.

**Table 2: DOD's Anticipated Net Savings**  
In millions of current dollars

Savings category	Fiscal year					Total
	1995	1996	1997	1998	1999	
Base closures—rounds 1, 2, and 3	-\$310	-\$723	\$3,461	\$1,220	\$1,716	\$5,364
Defense Management Report	7,200	7,200	7,500	2,500	2,500	26,900
<b>Total anticipated savings</b>	<b>\$6,890</b>	<b>\$6,477</b>	<b>\$10,961</b>	<b>\$3,720</b>	<b>\$4,216</b>	<b>\$32,264</b>

Source: GAO analysis of DOD data

### Base Realignment and Closures Savings May Be Too Optimistic

As a result of recommendations by three separate independent commissions in 1988, 1991, and 1993, Congress approved the closure or realignment of 247 defense activities (including the closure of 70 major installations). Once a base is selected for closure, DOD has 2 years to initiate the action and 6 years to complete the closure. DOD's current FYDP assumes that about \$14 billion in base closure savings will be realized between 1995 and 1999 at a cost of about \$9 billion.

The \$5 billion in net savings may be too optimistic. To date, DOD has only completed about 20 percent of base closure actions planned for the first

three rounds, and savings have not been achieved as early as anticipated. For example, DOD's total anticipated savings for base closure rounds one and two is estimated to be about \$10 billion, or 23 percent less than DOD's original savings estimate of about \$13 billion. Depending on future progress, anticipated savings could be further reduced or delayed.

### Defense Management Report Savings Are Overly Optimistic

The 1989 Defense Management Report proposed a series of consolidations and management improvements that were estimated to save tens of billions of dollars in support and overhead programs. DOD officials told us that \$7.2 billion is to be saved in fiscal year 1995, and an additional \$19.7 billion from fiscal years 1996 through 1999. These savings are already deducted from FYDP estimates, even though actions to achieve these savings have not occurred. Therefore, if the future Defense Management Report savings do not occur, funds may have to come from other budget areas.

We believe a projection of nearly \$27 billion in Defense Management Report savings over the next 5 years may be significantly overstated. In past work on Defense Management Report initiatives, we have questioned whether the estimated savings could be achieved.<sup>3</sup> For example, our past work found that up to 82 percent of the planned savings were based solely on management judgment and were not always supported by historical facts or empirical data. In April 1994, we reported that a Defense Science Board task force, which was established to provide independent advice to the Secretary of Defense and became known as the Odeen panel, reported that, on average, 20 percent of the anticipated savings were not achievable.<sup>4</sup> According to DOD, adjustments were made to rectify the shortfall. However, our report also stated the Air Force and the Army presented much higher estimates of potential shortfalls. The worst-case expectations involved Army and Air Force concerns that they were only able to validate about half of their anticipated savings.

Officials we interviewed from the DOD Office of Management Systems, Directorate for Management Improvement, said that they continue to track the progress of individual management initiatives but no longer track the

<sup>3</sup>Defense Management Review (GAO/NSIAD-94-17R, Oct. 7, 1993), Financial Management: DOD Has Not Responded Effectively to Serious, Longstanding Problems (GAO/T-AMID-93-1, July 1, 1993), Defense Business Fund (GAO/AFMD-93-12R, Mar. 1, 1993), National Security Issues (GAO/OGC-93-07R, Dec. 1992), and Defense ADP: Corporate Information Management Savings Are Not Supported (GAO/IMTEC-91-18, Feb. 22, 1991).

<sup>4</sup>DOD Budget: Evaluation of Defense Science Board Report on Funding Shortfalls (GAO/NSIAD-94-130, Apr. 20, 1994).

associated dollar savings based on a task force recommendation that continuing to try to track Defense Management Report dollar savings had become counterproductive. The task force concluded in May 1993 that the bookkeeping effort devoted to tracking Defense Management Report savings had outlived its usefulness and should be terminated. The task force determined that, over a period of time, other changes in the DOD program that were driven by historic changes in the world security situation have so altered the original baseline that current estimates of savings are often hopelessly intertwined with impacts of larger changes. On August 2, 1993, the Office of the Secretary of Defense issued a memorandum that effectively terminated the tracking of Defense Management Review savings.

### Cost Estimates May Be Understated by More Than \$100 Billion

There is a substantial amount of cost risk associated with the 1995-99 FYDP. Our analysis indicates that the cost estimates in the FYDP for the fourth round of base closures, weapon systems development and procurement, environmental remediation, pay raises, and peacekeeping operations may be understated by about \$112 billion.

### Cost of the 1995 Base Closure Round Is Significantly Understated

DOD has significantly understated the costs associated with the planned fourth round of base closures and realignments scheduled to begin in 1995. Round four is expected to close an equivalent number of defense activities as the three previous rounds combined. On the basis of a 1995 round of this size, we estimate potential costs could be in excess of \$8 billion more than shown in the FYDP.

DOD has maintained that the 1995 round of base closures and realignments is an important element in its plans to reduce infrastructure costs to help pay for future programs and operations. However, the estimated costs for the 1995 round contained in the FYDP bear no resemblance to the experience of the three earlier rounds. As shown in table 4, round four costs in the FYDP are estimated to be much less than the costs for rounds 1 through 3 and cover only a 3-year period. Experience from the first base closure round indicates it takes 5 to 6 years to close a base.



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**Table 3: Comparison of Estimated Costs for the First 4 Years of Base Closures**

In millions of current dollars					
	Year 1	Year 2	Year 3	Year 4	Total
Rounds 1-3	\$1,374	\$3,986	\$3,995	\$1,630	\$10,985
Round 4	702	899	1,029	0	2,630
<b>Difference</b>	<b>\$672</b>	<b>\$3,087</b>	<b>\$2,966</b>	<b>\$1,630</b>	<b>\$8,355</b>

Note: Estimates do not include environmental costs

Source: GAO analysis of DOD data

According to the Director of DOD's Base Closure and Utilization Office, the dollars programmed in the FYDP for the round four realignment and closures are insufficient. In order to pay for the closures, under current fiscal guidance, DOD would have to delay or terminate other programs. Hence, because DOD underestimated the costs of round four closures in the FYDP, it was able to include billions of dollars in additional programs.

## Weapon Systems Cost Overruns

Program cost increases and schedule delays, two of the most prevalent acquisition problems, are among the oldest and most visible problems associated with weapon systems. Program cost increases of 20 to 40 percent have been common for major weapon programs, with numerous programs experiencing increases much greater than that. In August 1992, we reported that the potential total cost for completing 165 ships under construction had increased by 24 percent.<sup>5</sup> In April 1994, we testified that the cost growth being experienced on a number of current major Navy systems was as much as 100 percent.<sup>6</sup> A recent RAND study of weapon system cost growth prepared for the Air Force concluded that there has been no substantial improvement in the average weapon system cost growth over the last 30 years, despite the implementation of several initiatives intended to mitigate the effects of cost risk and the associated cost growth.<sup>7</sup>

DOD currently has about \$192 billion in planned weapon systems or weapon-related acquisitions in the procurement pipeline over the next 5 years, and about another \$100 billion in research and development. Many

<sup>5</sup>Navy Contracting: Cost Growth Continues on Ship Construction Contracts (GAO/NSIAD-92-218, Aug. 31, 1992).

<sup>6</sup>Navy Modernization: Alternatives for Achieving a More Affordable Force (GAO/T-NSIAD-94-171, Apr. 26, 1994).

<sup>7</sup>An Analysis of Weapon System Cost Growth (RAND, MR-291-AF, 1993).

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of these programs are complex modern weapon systems involving considerable technological risks. Because of the enormous cost and complexity of these programs and historical experience, we do not believe DOD can deliver planned quantities in the time frame and for the funding proposed in the FYDP. Appendix I discusses some of DOD's current weapon systems that we believe are at particular risk for substantial cost growth.

On the basis of a conservative growth estimate of 20 percent, we expect current procurement estimates for weapon systems to rise by at least \$38 billion for the planning period. Similar cost growth may also be experienced among development programs. Programs in development are on average more technically challenging, involving higher risk and uncertainty. Programs currently in the advanced phases of research and development, such as in engineering and manufacturing development, may account for at least another \$20 billion in unanticipated cost growth over the planning period.

Given the fiscal environment, it will be difficult for DOD to obtain nearly \$60 billion in additional funding to pay for unplanned costs growth over the FYDP period. Therefore, as weapons program plans are not achieved because of cost increases, programs are likely to be stretched out, reduced, or terminated after billions of dollars have been invested.

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### Environmental Costs May Be Significantly Understated

At current funding rates, DOD would spend about \$28 billion on environmental costs for fiscal years 1995-99. In recent testimony before the Senate Budget Committee, the Secretary of Defense characterized environmental restoration and pollution prevention as one of the fastest growing items in the defense budget.

According to a March 1994 report by the Congressional Budget Office, DOD's estimates of environmental restoration costs might be understated by \$20 billion, or by about \$4 billion annually over the next 5 years.<sup>8</sup> To the extent that Congressional Budget Office estimates are correct and DOD does not receive additional funds, DOD may have to defer environmental remediation programs or adjust other programs to fund the additional cost of planned remediation programs.

As an example of escalating environmental costs, Congressional Budget Office officials testified that the average cleanup costs at military bases

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<sup>8</sup>Planning for Defense: Affordability and Capability of the Administration's Program (Congressional Budget Office Memorandum, Mar. 1994).

slated for closing are 60 percent higher than initially projected and that increasingly strict cleanup standards will drive DoD's costs even higher. The impending closure of a substantial number of military bases has raised several difficult environmental problems. Under the Comprehensive Environmental Response, Compensation, and Liability Act, also known as "Superfund," the U.S. Government cannot transfer land outside federal ownership until it warrants that all remedial action necessary to protect human health and the environment has been taken. There are serious possibilities for conflict between the interest of economic development and the interest of environmental restoration.<sup>9</sup> The communities adjoining the bases to be closed generally wish to obtain the land quickly, and the decontamination process that may be necessary to restore the environment can be time-consuming.

#### Military and Civilian Pay Raises

Last year, the Administration proposed to freeze federal salaries—both military and civilian—in 1994 and to reduce the future rates relative to current law. Congress, however, granted pay raises and the Administration increased DoD's budget to accommodate the impact of the raises. According to the Congressional Budget Office, a similar risk looms for 1995 through 1999. The Administration proposes holding military and civilian pay raises below those called for under current law and does not distinguish between an amount for across-the-board pay raises and locality pay raises. According to the Congressional Budget Office, if Congress adheres to current law on across-the-board pay raises only, DoD would have to pay about \$13.9 billion. Adhering to current law also on locality pay would add another \$12.1 billion.<sup>10</sup>

According to DoD, its FYDP is priced with the Administration's economic assumptions for pay raises, as is the entire Federal Budget. Therefore, if the FYDP is underpriced due to increased civilian and military pay rates in fiscal year 1995, the entire budget is similarly underpriced. We acknowledge that DoD's FYDP estimates for pay raises are based on the Administration's policy. However to the extent that Congress approves higher pay raises, DoD must either receive additional funds for the raises or reduce programs.

<sup>9</sup>Military Base Closures: Issues for the 103rd Congress (Congressional Research Service Issue Brief IB92-113, Mar. 3, 1994).

<sup>10</sup>An Analysis of the President's Budgetary Proposals for Fiscal Year 1995, Congressional Budget Office (Apr. 1994).

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Both the House and Senate versions of the National Defense Authorization Act for fiscal year 1995 provide a 2.6-percent pay raise for military personnel. The FYDP provided for only a 1.6-percent pay raise.

#### Potential Costs for Peacekeeping Operations

According to DOD, the FYDP does not include funds for DOD's participation in peacekeeping activities. DOD requested a supplemental appropriation of \$1.2 billion to fund its peacekeeping operations for fiscal year 1994.

According to DOD, the fiscal year 1994 budget included a modest request for peacekeeping and this request was disapproved by all four Defense oversight committees. DOD has indicated it may continue to seek supplemental appropriations to fund peacekeeping operations. For example, in testimony before the Senate Budget Committee on March 9, 1994, the Secretary of Defense stated that if there was a peace settlement in Bosnia, and United States troops were sent as part of that commitment, DOD would be requesting a supplemental appropriation for that purpose.

#### GAO Has Reported on DOD's Optimistic Planning Assumptions for 10 Years

Regardless of the size of the overall defense program, during the cold war or post cold war era, there has existed a plans/reality mismatch between the defense program proposed in the FYDP and the funds available to execute that program. We have been reporting on this mismatch since 1984. The planning bias most often falls into one, or more, of three categories: (1) overestimation of future savings to be generated from management initiatives, (2) underestimation of costs, and (3) use of overly optimistic inflation forecasts (including pay rates).

We have reported that this planning bias perpetuates an environment of program instability that manifests itself in cost overruns, program stretch-outs, and even the cancellation of major weapon systems after substantial investments have been made in their development. This is not an effective way for DOD to manage and it does not facilitate congressional oversight of the defense budget.

#### Matter for Congressional Consideration

Congress may wish to consider enacting legislation that would explicitly prohibit DOD from using negative adjustments for unspecified programs as substitutes for resource decisions necessary to bring programs, projects, and activities in conformance with the President's budget. Such a provision need not preclude the use of legitimate negative accounting adjustments such as offsetting receipts and foreign currency fluctuations.

## Views of Agency Officials and Our Evaluation

As you requested, we did not obtain written comments from DOD. However, we held an exit conference with officials to discuss a draft of this report. The officials disagreed with our positions on the issues. We have incorporated their views in the report where appropriate. The following discusses some of the principal concerns expressed by the officials.

The officials said that our matter for congressional consideration, if enacted into law, may prohibit DOD from using all negative accounting entries in the FYDP. We recognize that there are legitimate negative entries in the FYDP and have clarified this point in our report. The officials also said that the \$20 billion negative entries labeled "undistributed future adjustments" reflected last minute changes in inflation indices by the Office of Management and Budget for which DOD could not adjust its programs. Consequently, DOD decided to show the undistributed adjustments. The officials stated that in their opinion it was better for DOD to clearly reflect these future adjustments rather than "bury them" by arbitrarily reducing programs. We agree that DOD should not bury the reductions or make arbitrary changes. We also agree with the Congressional Budget Office's analysis that the \$20 billion indicates funding problems beyond inflation. DOD must make the hard decisions necessary to bring its programs, projects, and activities within its budget projections. Failing to do so provides an unclear picture of defense priorities and delays program decisions.

The officials also disagreed with our methodology for estimating the risk in projected savings and costs. They said that our reliance on historical patterns in such areas as weapon systems and base closures raises unnecessary doubts and unfounded concerns about DOD's planning assumptions and related funding levels. For example, the officials said that it is unreasonable to apply a 20-percent cost growth to today's weapon systems because (1) many of those systems are mature and historically much of cost growth usually occurs early in a weapon system's development and (2) DOD has new initiatives to better manage its acquisition programs. We believe that a 20-percent projected cost increase is reasonable because of the reasons stated in our report. Further, DOD has numerous systems such as the C-17 cargo aircraft and the F-22 fighter that are not mature and continue to experience cost growth. Also, as we state in this report, the historical cost growth in weapon systems was experienced despite the implementation of several DOD initiatives intended to mitigate the effects of cost risk. The officials also said that it is unreasonable to use the costs of the first three rounds of base closures to



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estimate the cost of round four closures because the first three rounds required considerably more relocations of forces and associated infrastructure costs. We believe that the cost associated with the first three rounds of base closures represents a reasonable approximation of the cost of round four closures because round four is expected to close an equivalent number of defense activities as the three previous rounds combined. Moreover, officials with DOD's Base Closure and Utilization Office told us that our cost estimating methodology was reasonable. In summary, we used the most current estimates available to us in computing the risk in projected savings and costs and believe that our methodology is sound.

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## Scope and Methodology\*

To evaluate the major planning assumptions underlying DOD's fiscal year 1995 FYDP, we interviewed officials in the Office of the Secretary of Defense, DOD Comptroller, DOD Office of Environmental Security, DOD Office of Economic Security, Base Closure and Utilization Office, Congressional Budget Office, and Office of Management and Budget. We examined a variety of DOD planning and budget documents, including the FYDP and associated annexes. We also reviewed the President's fiscal year 1995 budget submission, prior GAO reports, and pertinent reports by the Congressional Budget Office, the Congressional Research Service, and others.

To determine whether the FYDP submission complies with the law, we compared its content with the requirements established in section 221 of Title 10 of the United States Code. We also reviewed references to the reporting requirement in various legislative reports to clarify congressional intent. Our work was conducted from March to July 1994 in accordance with generally accepted government auditing standards.

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We are providing copies of this report to appropriate House and Senate Committees; the Secretaries of Defense, Air Force, Army, and Navy; and the Director, Office of Management and Budget. We will also provide copies to other interested parties upon request.

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If you have any questions concerning this report, please call me on (202) 512-3504. The major contributors to this report are listed in appendix II.

*Richard L. Davis*

Richard Davis  
Director, National Security  
Analysis

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## Abbreviations

DOD	Department of Defense
FYDP	Future Years Defense Program
GAO	General Accounting Office

## Appendix I

## Weapon Programs at Risk for Substantial Future Cost Increases

An important factor in the Future Years Defense Program (FYDP) affordability equation is the effect that unplanned cost increases in weapon programs has on future funding requirements. Over the last several years we have issued a number of reports concerning cost growth, schedule delays, and quantity reductions among weapon programs currently in the Department of Defense's (DOD) research and development or procurement pipeline. These programs include, but are not limited to, the FA-18 E/F, C-17 cargo aircraft, F-22 fighter, V-22 tilt-rotor aircraft, SSN-21 Submarines, and the DDG-51 Destroyers. On the basis of historical experience, we expect cost increases to be a continuing problem for these and other weapon programs.

### FA-18 E/F Fighter

DOD plans to procure 1,000 aircraft for the FA-18E/F program. The estimated total program cost of this acquisition is \$89 billion. This represents a total program cost increase of 10 percent in just the last year. Although the Navy claims that the FA-18E/F is simply an upgrade of the current C/D version of the aircraft, some critics have argued that, given the extensive changes being incorporated into the new model, the FA-18E/F is essentially a new aircraft. This enhances the potential for cost growth and technical problems in the program.

### C-17 Cargo Aircraft

We are very concerned about the affordability of the C-17 cargo aircraft. The C-17 has been a troubled program almost since its inception and has fallen far short of original cost, schedule, and performance objectives. The Air Force originally planned to buy 210 aircraft. In 1990, the program was reduced to 120 aircraft at a currently estimated cost of about \$43 billion. This cost exceeds the last DOD estimate to acquire 210 aircraft by \$1.3 billion. We do not believe that a cargo aircraft, even one with the projected sophistication of the C-17, should cost in the area of \$300 million to \$350 million each. By November 1995, DOD will have invested another \$5 billion in the problem-plagued program, bringing the cost for the first 40 planes to about \$21.3 billion, or about \$534 million each. On the basis of increasing cost, recent test problems, and slips to the flight test schedule, we believe cost estimates will increase again in the near future.

### F-22 Fighter

The F-22 program, we believe, is a premature venture to develop an air superiority fighter with limited versatility for joint service or multiple use. From December 1992 to December 1993, DOD changed the program from the purchase of 648 F-22 fighters at a total program cost of nearly

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**Appendix I**  
**Weapon Programs at Risk for Substantial**  
**Future Cost Increases**

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\$87 billion, to 442 aircraft at \$72 billion. Because of this change, the cost per aircraft rose from \$134 million to \$162 million.

Since the F-22 program entered full-scale development in 1991, the severity of the projected military threat in terms of quantities and capabilities has declined. U.S. Air Forces are now expected to confront potential adversary air forces that include few fighters that have the capability to challenge the F-15—the U.S. front line fighter. The F-15's performance characteristics exceed that of the most advanced fighter threat system expected to exist in substantial quantity for many years and can be economically maintained in a structurally sound condition until 2015 or later.

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**V-22 Tilt-Rotor Aircraft**

In May 1986, the Navy expected full-scale development of the V-22 tilt-rotor aircraft to be completed in June 1992 and cost about \$1.8 billion. By December 1989 DOD determined that the V-22 would cost \$42 million each and was not affordable when compared with helicopter alternatives that cost from \$16 million to \$33 million. In 1992, the Navy terminated the basic V-22 full-scale development contract and concurrently awarded a new contract to develop a V-22 variant. By this time the V-22 had been in development for 6 years, and contractors had spent \$2 billion. The Navy currently estimates the variant development will take an additional 6 years and cost \$2.5 billion. V-22 unit procurement cost are projected to be between \$49 million and \$64 million.

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**SSN-21 Submarines**

Justification for the Seawolf Class nuclear-powered attack submarine and its concurrent design/construction was based on countering the former Soviet Union's submarine force. Almost from the beginning, however, concerns have been voiced about the program's level of concurrency and the submarine's affordability. In August 1993, we reported that the design cost estimate more than doubled and construction cost estimates increased by 45 percent for the first Seawolf submarine (SSN-21). As of December 1993, the construction cost was estimated at about \$1.1 billion, 59 percent over the original estimate.

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**DDG-51 Destroyers**

In September 1992, we reported that the cost estimates for the DDG-51 showed that the first three ships cost \$1.1 billion, double the original cost estimates. The Navy currently plans to build 15 additional ships over the 1995-99 FYDP period.



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**Appendix II**

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**Major Contributors to This Report**

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**National Security and  
International Affairs  
Division, Washington,  
D.C.**

Robert L. Pelletier, Assistant Director  
William W. Crocker III, Evaluator-in-Charge  
Joseph J. Faley, Senior Evaluator  
Bonita J. Page, Evaluator  
Mae F. Jones, Editor

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## Related GAO Products

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DOD Budget: Future Years Defense Program Needs Details Based on Comprehensive Review (GAO/NSIAD-83-250, Aug. 20, 1993).

Transition Series: National Security Issues (GAO/OCG-83-97R, Dec. 1992).

High Risk Series: Defense Weapon Systems Acquisition (GAO/HR-83-7, Dec. 1992).

Weapons Acquisition: Implementation of the 1991 DOD Full Funding Policy (GAO/NSIAD-92-238, Sept. 24, 1992).

Defense Budget and Program Issues Facing the 102nd Congress (GAO/T-NSIAD-91-21, Apr. 25, 1991).

DOD Budget: Observations on the Future Years Defense Program (GAO/NSIAD-91-204, Apr. 25, 1991).

Department of Defense: Improving Management to Meet the Challenges of the 1990s (GAO/T-NSIAD-90-57, July 25, 1990).

DOD Budget: Comparison of Updated Five-Year Plan With President's Budget (GAO/NSIAD-90-211BR, June 13, 1990).

DOD's Budget Status: Fiscal Years 1990-94 Budget Reduction Decisions Still Pending (GAO/NSIAD-90-125BR, Feb. 22, 1990).

Status of Defense Forces and Five Year Defense Planning and Funding Implications (GAO/T-NSIAD-89-29, May 10, 1989).

Transition Series: Defense Issues (GAO/OCG-89-97R, Nov. 1988).

Defense Budget and Program Issues: Fiscal Year 1989 Budget (GAO/T-NSIAD-88-18, Mar. 14, 1988).

Underestimation of Funding Requirements in Five Year Procurement Plans (GAO/NSIAD-84-88, Mar. 12, 1984).

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**STATEMENT OF MICHAEL E. O'HANLON, SENIOR STAFF MEMBER, FOREIGN POLICY STUDIES PROGRAM, BROOKINGS INSTITUTION**

The CHAIRMAN. Mr. O'Hanlon, would you proceed.

Mr. O'HANLON. Thank you, Mr. Chairman, and I, too, with your permission, would summarize my testimony and submit my testimony for the record.

The CHAIRMAN. Without objection.

Mr. O'HANLON. It is a honor to appear before the committee. I would like to make three main points as we discuss the adequacy of the Clinton administration's budget projections for its own plan as well as for broader U.S. security interests.

The CBO shortfall of \$47 billion, which I think winnows down the GAO numbers to those which most likely, can, through a series of policy decisions and other means, be probably reduced to on the order of half that amount through actions of the Congress, without fundamentally affecting the basic nature of the Bottom-Up Review.

Second, the resulting plan, would be 98-percent full funding for a Bottom-Up Review that is already cautious, if this hyperstrategic environment, that Congressman Dellums correctly identified, can be improved even still.

And third, in recognition of the problems we face in Southwest Asia, Korea, as well as important United States global interests, it is important to retain a strong military force structure. But there are strong arguments to consider doing this more efficiently, and one may be able to do this at 10 percent less funding levels than now planned in the administration.

I will try to give a couple more details on each of these points, and look forward to a question and answer period.

The CBO estimate of \$47 billion, I think, is a very good analysis, but some of the shortfalls are more likely and more certain than others. For example, adjustments for civilian locality pay would be desirable. However, at a time when the Government is trying to streamline and trying to become much more efficient across a wide array of areas, it may be a luxury we cannot afford.

In recognition of the Congress' role in funding peacekeeping operations and the Congress' preference to do this through supplemental appropriations in order to retain policy control or influence over these matters, I think one can assume peacekeeping operations will continue to be funded primarily by supplementals, and they can take that money from the shortfall as well, because there are other ways now established of funding these things above and beyond the projected funding stream in the FYDP.

Third, one can expect lower inflation estimates and perhaps a smaller BRAC round. We don't know about that yet.

Finally, in regard to weapons cost growth, as Vice Chairman Owens of the Joint Chiefs of Staff has argued, the most important kinds of modernization we are doing are really in sensors, precision guided munitions, information and communications technology, the kinds of things that build on the platforms and systems that worked best in Desert Storm, to allow us to have more of those and do it more efficiently. Those systems are more important than systems such as the F-22 and V-22, and in such a climate if, for example the F-22 or V-22 or other new cost growth, one could con-

sider reducing or slowing or even canceling one or two of those programs to eliminate the shortfall.

Therefore, within the confines of the Bottom-Up Review, one can get down to the range of \$ 20 billion or so, still a serious shortfall and serious matters for budget appropriators and authorizers to consider, but a less serious problem than, perhaps, \$47 or \$65 or \$150 billion.

My broader point, and I will conclude with a couple of remarks along this line, is that the strategic environment is really much improved today. Not only do we represent over 35 percent of global military spending, our allies represent half of the remainder. So that the sum total of all countries not allied to us is on the order of a quarter of global military spending.

These measures do not prove anything. They do not derive a force structure for us, but they should be, I think, kept in mind. It is no accident this is the case. The Western military and economic bloc represents, by far, the majority of global economic strength and production and, therefore, in a classic kind of analysis that suggests that economic strength produces military wherewithal and strength, we are in a fundamentally strong position in that regard as well.

I would simply refer to the great American statesman George Kennan, who 45 or 50 years ago, argued that the United States in its grand strategy, should really focus on the major industrial centers of the world and be careful that these centers are not allied against us, and he was speaking of Japan, Soviet Union at that time, West Europe and Great Britain. That strategy worked very, very well, to a point where most of those areas today are allied with us or at least not hostile. It is that kind of success of the cold war that I think puts us in a very, very good situation strategically at this time.

Having said that, we have important risks and important commitments. I would briefly touch on a couple of the ways we can still be very consistent with the demands that North Korea, and Southwest Asia threats still place on United States forces.

Specifically, Secretary Perry has argued it is implausible we would fight two Desert Storm operations at the same time. We have to have a military to do that, in order to deter it, he feels, but the idea of doing so is probably unrealistic. Today, strategic lift and other problems might prevent us from doing so.

In a broader sense, it is not clear we would ever do this. To me, that suggests it is really the ability to deploy quickly with air power and some ground force, as we did in October 1994, that should serve as the core capability for how to respond to crisis in Korea and Southwest Asia.

We can't rely on that entirely, but being able to fight one Desert Storm in the event things go wrong, but be able to respond quickly, is a very viable grand strategy, if you will, that we should consider as an alternative. This would not simply produce cuts in military spending, it also would produce certain increases in readiness, such as more pre-positioning. The administration is doing this already.

We should pre-position more munitions, perhaps more ground equipment in the two theaters of most acute concern. We should solve the strategy airlift problem quickly and expeditiously and not



wait for the outcome of the C-17 analysis, perhaps even consider buying the C-17 and a nondevelopmental aircraft to respond to these for quick response in these theaters.

It is airlift together with U.S. ability to respond quickly and deploy rapidly in the event of a crisis that constitutes the core of deterrent in situations where we are far stronger than these countries; we fought them before, they know that our deterrent and our commitment are serious, and it is primarily reinforcing that historically, and historically accomplished state of affairs that we want to continue to do with our military force posture.

We still need to be able to fight, I believe, we need a Desert Storm-plus capability, such as Desert Shield, in case things go bunk. Our two MRC strategy should focus on deterrence and rapid response, more along the Desert Shield example, and doing it quickly, than on the worst-case-scenario such as resorting to Desert Storms.

With that broad overview, I will wait for the question and answer portion of the hearing.

The CHAIRMAN. Thank you, Mr. O'Hanlon.

[The prepared statement of Mr. O'Hanlon follows:]

January 19, 1995  
House National Security Committee

TESTIMONY OF MICHAEL O'HANLON, SENIOR STAFF MEMBER, BROOKINGS  
INSTITUTION FOREIGN POLICY STUDIES PROGRAM

Shortfalls in the Current Defense Budget Plan and Possible Means  
to Address Them

Mr. Chairman, Mr. Ranking Member, and Other Members of the Committee, it is an honor to appear before you today to discuss the important issue of the fiscal integrity of the Administration's defense plan. More broadly, I will also address the sufficiency of U.S. military spending and the appropriate role of the U.S. military as we approach the turn of the century.

My remarks will seek to establish three main points:

o The CBO estimate of a \$47 billion, or 4 percent, gap between the likely costs of the Administration's defense plan and the fiscal resources it now intends to devote to funding that plan over the 1995-1999 time frame reflects a balanced and rigorous analysis. But, as CBO points out, some of the shortfalls in budget authority are of more concern and certainty than others. If one assumes that peacekeeping operations continue to be funded by supplementals, and that locality adjustments for civilian employees of the Department of Defense are canceled, the estimated shortfall would decline to about \$33 billion. Downwardly revised inflation estimates and a more modest than expected round of base closings in 1995, both of which may well occur, would reduce the shortfall further, perhaps to \$25 billion or 2 percent of the FYDP total;

o the Administration's defense plan is quite cautious and conservative for the favorable strategic setting in which the

United States finds itself. Today, unlike most periods of the twentieth century, the United States has no major military rival, U.S. defense spending represents nearly 40 percent of the global total and that of its major allies half of the remainder (another 30 percent), and recent U.S. wartime performance was overwhelmingly dominant against the type of regional foe that represents the most likely adversary for the future. Although a 2 percent funding shortfall leaves the Administration and the Congress with some important budgetary choices to make, it is not likely to create any perceptions of a window of opportunity in the minds of potential U.S. adversaries;

o In light of the excellent U.S. strategic position, and the fact that major threats to national security have declined much more than have defense force levels or budgets since the end of the Cold War, many means exist for redressing the relatively small budgetary shortfall in current Pentagon plans. By profiting more fully from trends in modern technology and asking the Pentagon--like other parts of the government--to try new ways of conducting traditional operations more creatively, policymakers can resolve the present mismatch between military means and ends.

My current work at Brookings is exploring the viability of a defense posture that would cost roughly \$220 billion a year by the end of the decade, as measured in constant 1995 dollars, in contrast to the expected 050 funding level of about \$240 billion. Briefly put, that posture would achieve its major savings by viewing Desert Shield rather than Desert Storm as the most appropriate model for responding to future simultaneous regional crises, with corresponding improvements in the U.S. ability to respond rapidly to such crises. It also would revamp traditional naval and Marine forward presence operations, and focus most procurement dollars on improvements in sensors, munitions, and existing weapons platforms rather than major new systems.

**THE BUDGET SHORTFALL**

In the wake of the Congressional elections of 1994, the President has added a modest amount of funds to his defense plan. If approved by the Congress that arguably inspired his move in the first place, significant strides will have been taken towards improving the fiscal viability of the current defense plan and fulfilling the pledge made in the Contract with America.

Rather than concentrate exclusively on the remaining discrepancy between plans and budgets, members of Congress arguably can do at least as much to enhance U.S. national security by improving some of the basic elements of the defense plan itself. This important committee will, I hope, focus its primary attention on even more fundamental and long-term questions: Is the Bottom-Up Review plan the right one for future U.S. security? Should the North Atlantic Treaty Alliance bring in new members, and if so, how should it assuage any resulting Russian fears? How can the United States pursue its own interests, yet at the same time not cause undue tension with the world's fastest-rising power, China, in regard to policies such as arms sales, relations with Taiwan, and planning for a East Asian security environment that might include a reunified Korea?

My own answers to these and other questions result in a budget plan that, while hardly radical, would cost some \$40 billion less than the Administration's planned funding levels over the 1996-1999 period, and nearly \$20 billion a year less from 1999 on.

To begin, my alternative would save money by ruling out funding for some of CBO's and GAO's itemized shortfalls. It would not fund adjustments in civilian locality pay--desirable in principle, but in the present fiscal environment a luxury that

the government need not afford. In recognition of the Congress's valued and important role in overseeing peacekeeping operations, it further assumes that such operations will continue to be funded by supplemental appropriations and thus not contribute to any structural shortfall. It would take into account likely reductions in the "inflation wedge" assumed last year by the Administration.

By canceling most modernization programs for major weapons platforms, and focusing remaining procurement programs on munitions, sensors, and logistics capabilities as well as existing combat platforms, my alternative plan would obviate most of the risks of weapons-system cost growth and in fact achieve net savings. Moreover, as explained in further detail below, the alternative plan would cut 2 active Army divisions, 2 Air Force tactical combat wings, a Marine Expeditionary Force, 4 aircraft carriers, and roughly 15 reserve Army brigade-equivalents from the military force structure.

The alternative would not simply cut, however. It includes additional increases in spending for readiness to restore today's generally good levels to even higher standards. The ability of the U.S. armed forces to deploy rapidly and perform with high competence is critical for a military strategy that places high value on deterring major regional conflicts and that attempts, in concert with other countries, to quell or at least to contain localized warfare around the world. In this spirit, the alternative also would devote more resources to airlift, fast sealift, naval tankers, prepositioning of equipment overseas, advanced ground-attack aircraft, and crews for several specific systems such as AWACS aircraft and Patriot missile batteries.

A rough estimate of the costs of the defense alternative is presented in the attached table. Savings relative to the requested Clinton budget would be \$2 billion in 1996; by 1999,



## AN ALTERNATIVE DEFENSE BUDGET (1995 Dollars in Billions)

Type of Program or Unit	1996	1999
Clinton Defense Proposal (\$264 billion in 1995)	251	241
<b>Suggested Cuts</b>		
2 Army Divisions	1.5	5.0
4 DES of Army Reserves	0.25	1.0
1 MEF, USMC	1.0	3.0
2 Air Force TFWs	0.25	1.0
4 Aircraft Carrier Groups	1.5	3.0
400 Minuteman III ICBMs	0.2	0.75
9 Trident Submarines	0.1	0.5
KC-135E Tankers	0.1	0.5
DoD Medicine	0.4	1.0
F-22 Program	2.4	3.0
V-22 Program	0.6	1.0
DDG-51 Program	0.75	0.75
D-5 Missile	0.4	1.2
Minuteman III Guidance	0.1	0.3
Environmental Restor- ation, DoD	0.5	0.5
Environmental Restor- ation, DOE	0.6	0.7
Nuclear Weapons, DOE	0.1	0.5
Intelligence Reform	0.5	2.0
Conversion	1.5	0.0
Subtotal	13	26
<b>Suggested Increases</b>		
Fast Sealift	0.5	0.5
Additional Maritime Prepositioning or POMCUS	0.5	0.5
F-15 Production	1.0	1.0
C-141 or 747 Production	1.0	1.0
UN Peace Operations Dues	0.5	0.5
UN Equipment, Training (Other Militaries)	0.1	0.3
Enhanced Readiness	1.5	0.0
Subtotal	5	4
<b>Accepted CBO Adjustments</b>		
Military Pay Raises	1	3
Partial DoD Adjustments	4	2
BRAC	1	0
Subtotal	6	5
<b>Total "050" Budget</b>		
GRAND TOTAL	249	224
Sources: Congressional Budget Office, DoD		

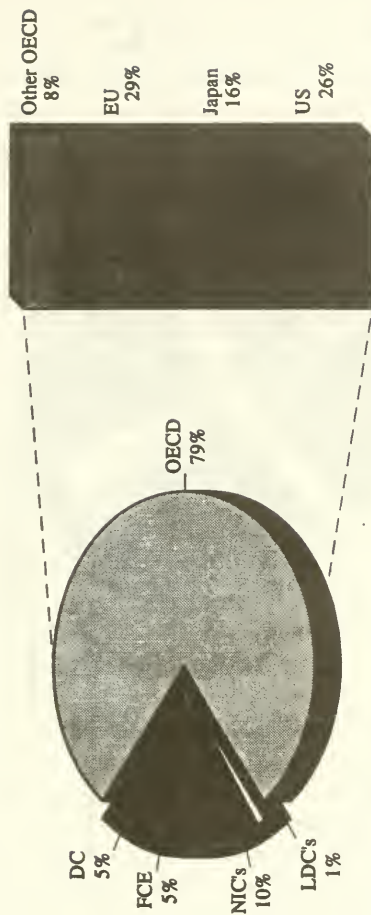
annual savings would be \$17 billion relative to the planned Clinton funding level (in 1995 dollars).

#### THE SECURITY ENVIRONMENT AND U.S. GRAND STRATEGY

In paying heed to the "trees" of the annual budget process, U.S. policymakers should endeavor to keep in mind the forest--today's U.S. strategic position is outstanding by historical standards. Not only does the country continue to turn out 25 percent of global economic production, enjoy protection from other major powers by the large defensive shields of the Atlantic and Pacific oceans, possess a nuclear deterrent, and--despite growing economic interdependence with other countries around the world--retain nearly all of the basic ingredients for sustaining an advanced industrial economy on its own. It also is allied with most of the rest of the world's major industrial and economic centers, notably Japan and Western Europe. In fact, the western political and military alliance as a whole represents 3/4 of global economic production (see figure)--even more than the allied powers possessed in the world wars. The debate that gripped this town in the late 1980s over whether or not the United States was in fundamental decline often seemed to miss two central points: that our relative loss was entirely natural as Western Europe and Japan recovered from World War II, and that the decline was for that reason a striking success of postwar foreign policy that strengthened the U.S. security position by building up a remarkable alliance system.

The major western countries also account for the vast bulk of the world's military spending. Using 1993 data, the United States represents more than 35 percent of the world's total spending, and its major allies another 30 percent, as shown in the attached figure.

# Distribution of Global GDP (1992)

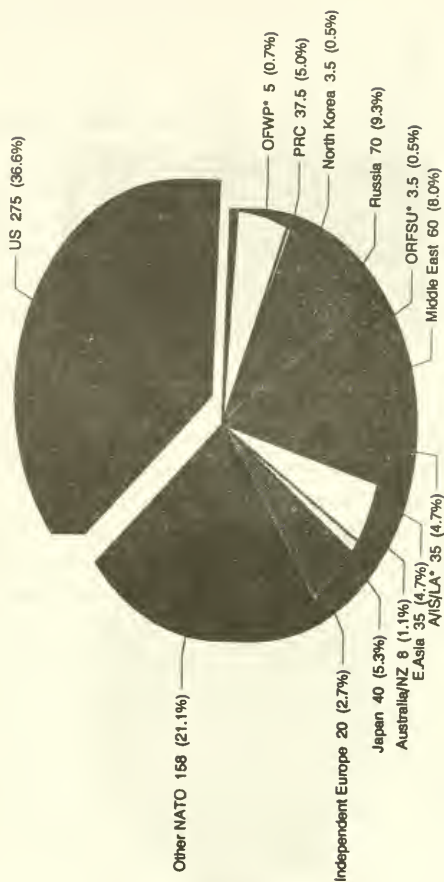


LDC: Lesser Developing Countries, including most Sub-Saharan Africa and some countries in Central America and the Caribbean.  
 DC: Developing Countries- countries of Central and South Asia and the Middle East  
 FCE: Former Communist Economies of the Warsaw Pact.  
 NIC: Newly Industrialized Countries, countries of East Asia and South America

Source: Congressional Budget Office, *Enhancing US Security Through Foreign Aid* (April 1994) p. 50., and *World Development Report 1994*, Oxford: Oxford University Press, 1994, pp. 166-167.

# Global Military Expenditures in 1993

## Annual Military Expenditures in billions of US dollars



\* A/IS/LA-Africa, Indian Subcontinent, and Latin America

\* OFWP-Other Former Warsaw Pact Countries

\*ORFSU-Other Republics of the Former Soviet Union

Source: Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1991-1992* (1994); *Testimony of William Grundmann, Defense Intelligence Agency, before the Joint Economic Committee, Congress, June 11, 1993*; and International Institute for Strategic Studies, *The Military Balance 1993-1994* (London: Brassey's, 1993). Note: Values for China and Russia are the averages of conflicting data from the above sources.

Most of the world's remaining economic strength is found in China and the smaller countries of East Asia. Most of the rest of the world's military spending occurs in Russia, China, the rest of East Asia, and the Middle East (each representing 5% to 9% of the global total, roughly speaking). In the cases of East Asia and the Middle East, smaller U.S. friends and allies comprise a substantial amount of the economic strength and regional military spending.

At the end of World War II, the great American statesman George Kennan and many of his peers argued that U.S. security strategy should focus on the globe's other great economic and industrial centers--then Great Britain, the heart of Western Europe, Japan, and the Soviet Union. They argued that it was essential that those countries and regions be allied to the United States, neutral vis-a-vis U.S. interests, or in any case at least not allied in some combination against the United States.

Today, China, and perhaps the Middle East, could be added to the list of vital centers. But whether in regard to the original five centers of industrial and economic strength or a revised list of seven, postwar U.S. policy was extraordinarily successful, and the current U.S. security position is better than it was at any other time this century.

There were two main pillars of this successful Cold War policy: U.S. military resolve and strength vis-a-vis the Soviet bloc, to be sure, but also the economic and political decisions to help Western Europe and Japan rebuild and enter into cooperative security relationships with the United States. It seems that the first lesson, what might be called the "realist" lesson, is often remembered better today than the second, which might be termed the more visionary or moral lesson.

An implication of these two lessons would seem to be that,



in fashioning security policies for the post-Cold War era, the United States should be every bit as concerned about improving relations and supporting economic and political progress within Russia and China as with deterring those or other countries through threats of force. Exactly what these observations instruct about matters such as NATO expansion, U.S. arms sales policy, and future relations with a possibly reunified Korea are complicated matters that I will not attempt to address in my prepared remarks. But from a strategic point of view, they demand at least as much attention as the details of short-term defense budget planning.

In surveying the strategic landscape, a final point also requires mention: classic economic and balance-of-power arguments, while still important, must not be used so blindly that they obscure what is different historically about the late 20th century and what will be different in the 21st. For one thing, the same nuclear weapons technology that provides the United States a measure of absolute security against major attack or invasion by another major power represents a serious threat of another sort. Economic and technological strength may be able to mitigate this threat, but they probably cannot eliminate it entirely regardless of the effectiveness of any missile defense program. Second, the growing populations in many of the developing countries, particularly the poorer developing countries in Africa, the Middle East, and the Indian subcontinent, do pose very serious threats to the future stability of those countries and--albeit less directly--to the well-being and physical safety of the industrialized world. On a global historical scale, there are great and opposing forces in conflict: the dangerous combination of proliferating weaponry, growing populations, and declining resource bases versus the spread of democracy, human rights, and prosperity. Which of these historical trends tend to prevail will say a great deal about the character of the next century.

Again, the precise implications for U.S. policy are difficult to ascertain, but security decisionmakers should probably concern themselves as much with such matters as with the shape of defense forces and budgets. In that light, the recent Republican idea to form a National Security Working Group with representatives from the Armed Services, Budget, Foreign Relations, and Appropriations committees makes eminent sense.

#### **AN ALTERNATIVE STRATEGY, FORCE POSTURE, AND BUDGET**

In light of the strong strategic position of the United States, the overwhelming dominance of its military forces in absolute terms, and the limited usability of those forces for addressing many types of conflict in the world today, a strong case can be made for a smaller yet still very capable U.S. military establishment.

The force posture laid out here would be smaller than that proposed under the BUR for most major types of military units--8 active Army divisions (instead of 10); 15 enhanced readiness brigades as in the Administration's plan, but only 22 reserve battalions beyond that (rather than 22 additional reserve brigades in the BUR); 2 active Marine Expeditionary Forces (instead of 3); 18 Air Force wings (instead of 20); 8 aircraft carrier battle groups (rather than 12) as well as a surface combatant fleet of some 100 ships (rather than 110 to 116); and a smaller nuclear force--though one that retained 3,500 strategic nuclear warheads for the short term.

In addition, the proposed force posture would cancel the F-22 and V-22 aircraft, reduce the DDG-51 destroyer program by 8 ships, and rely on refurbished or rebuilt Los Angeles Class submarines for most of the future U.S. attack submarine force. It would, however, add funds for additional prepositioning of

ground-force equipment and aircraft munitions and spare parts in Korea and Southwest Asia; it would also proceed with both the C-17 program and a non-development aircraft immediately, keeping to the Administration's schedule for a final decision on the C-17 program later this year. In addition, it would add funds for another division equivalent of fast sealift vessels as well as dedicated naval tankers for transporting fuel; and it would purchase more F-15E ground-attack aircraft and add additional crews for the oft-used Patriot and AWACS systems. Finally, it would make specific additions to certain specialized elements of the force structure that are in greatest demand for peace operations, such as military police, and would as part of a multilateral effort provide modest funds to help poorer countries become trained and equipped to share more of the international burden of peace operations.

Regional War. In regard to regional warfighting, which under the BUR drives the size and shape of most of the U.S. military force structure, the United States should focus its strategy on rapid responsiveness. When major regional crises like that witnessed last fall in response to Iraqi troop movements near Kuwait occur, Desert Shield rather than Desert Storm should be the basic model or building block for how to deter or if necessary conduct regional warfare. The United States military should have enough capability to handle two such large-scale crises at once, and in addition continue to play a substantial role in a large peace enforcement operation if necessary.

In considering the prospects of regional war, policymakers should keep in mind the strength and clarity of the U.S. and allied deterrents in Korea and Southwest Asia. In regard to the most vulnerable allies and interests in those two regions, namely the South Korean, Saudi, and Kuwaiti states, U.S. commitment to defend against attack can hardly be questioned. It has been demonstrated by the shedding of American blood in the past and is

sustained by the permanent presence of U.S. forces in each region--presence which Congress and the Administration should resist every temptation to curtail, and in fact should consider expanding in some areas. In both theaters, the clarity of U.S. commitments is beyond doubt. This fortunate fact is in contrast to the situations when war broke out in those theaters in 1950 and 1990, in both cases after remarks by American policymakers that appeared to signal a lack of U.S. government concern with what might transpire (remarks by Dean Acheson and April Glaspie, respectively). Finally, the technological sophistication and firepower of U.S. forces in the age of precision-strike warfare are daunting to would-be aggressors--at least in regards to the types of conventional air-ground warfare that is of most concern in Korea and Southwest Asia.

In short, countries do not tend to challenge U.S. interests out of conviction that they could defeat the United States in major high-intensity warfare. Rather, they do so when they consider a U.S. response unlikely, or when they believe that they can wear down U.S. resolve through guerrilla warfare within a given country. Such perceptions are unlikely to arise in the Mideast and Korean theaters at this point in history, meaning that deterrence of those wars that could threaten key U.S. interests is highly likely to succeed.

Further enhancing deterrence, the Administration is already making the types of strides needed to put a strategy of rapid responsiveness in place. It is improving prepositioning and lift capabilities (see figure). In addition, it set a benchmark for appropriate resolve and decisiveness in responding to last fall's crisis in the Persian Gulf region. Even more prepositioning and lift should be acquired so that U.S. forces could target any aggressive enemy armored forces while they were making their initial attacks and thus exposed.

# US Military Prepositioning in Korea and the Persian Gulf Region

	Today's Force (1993)	Future Force (1999)
Persian Gulf Region	<ul style="list-style-type: none"> <li>1 Battalion Training Set</li> <li>1 Maritime Prepositioning Ship (MPS) Squadron</li> </ul>	<ul style="list-style-type: none"> <li>2 Brigade Sets ashore</li> <li>1 Brigade Set afloat*</li> <li>1 MPS Squadron</li> </ul>
Korea	<ul style="list-style-type: none"> <li>1 Brigade-Sized Marine Expeditionary Force (MEF)</li> <li>1 MPS Squadron</li> </ul>	<ul style="list-style-type: none"> <li>1 Brigade Set ashore</li> <li>1 Brigade Set afloat*</li> <li>2 Brigade-Sized MEFs (2 MPS Squadrons)</li> </ul>

\*Brigade set would be positioned to "swing" to either region.  
Source: Aspin, Les, Secretary of Defense. *Report on the Bottom-Up Review*, October 1993, p.20.



What if efforts at early response should fail to deter or defeat a regional foe, or if war occurs in a place where it is presently not expected? For these reasons, the United States should retain enough forces to undertake a single major regional operation to reclaim lost territory on the model of Desert Storm. Waging one such conflict at a time is, as the Secretary of Defense has argued, all that the United States would plausibly attempt under any circumstances irrespective of the details of its force structure. In that light, buttressing deterrence and rapid responsiveness to be able to conduct two operations on the scale of Desert Shield could actually improve the confidence with which the United States can protect its security interests at lower levels of military spending.

Such a Desert-Shield model for regional deterrence warfighting might entail deployment of roughly the equivalent of a corps of U.S. ground forces--perhaps two Army divisions and a Marine Corps expeditionary unit--as well as perhaps 8 tactical combat wings of fixed-wing aircraft and some 200 attack helicopters. Those units would have substantially more precision-attack capability than did the much larger U.S. air elements involved in Desert Storm; already today, the United States reportedly has more than 400 aircraft with LANTIRN capabilities for precision attack, in contrast to the 100 or so available during the Gulf War.

With an expansion of the F-15E program for ground attack, continuing programs to develop improved sensors and precision-guided munitions, and improved ability to deploy ground and air forces quickly, this precision-attack advantage could be magnified. Such a focus on advanced munitions, sensors, and rapid response is consistent with the advice of a number of experts such as Admiral Owens of the Joint Chiefs of Staff and the RAND Corporation's authors of *The New Calculus*. It is considerably more important to improve such air-to-ground

capabilities, in which performance was decidedly mixed in the Gulf War, than to pursue the F-22 program to reinforce a U.S. air-to-air supremacy that is at no appreciable risk.

It also seems considerably more sensible to enhance the demonstrated capabilities of certain types of tactical combat aircraft than to place great faith in a B-2 fleet and planned munitions for that fleet that are not yet proven. Still, consideration of further B-2 acquisition should not be quickly ruled out; if technologically feasible and economically sensible, it could further enhance the U.S. ability to respond rapidly to enemy attacks along the lines of the Desert Shield model advocated here. But its extreme cost and questionable usefulness for conventional combat should encourage policymakers to consider any ideas for further B-2 production skeptically. In addition, they should examine as a cheaper alternative the idea of using small, stealthy unmanned aerial vehicles to conduct target acquisition in hostile airspace, passing their information to less expensive bombers deployed outside of enemy airspace that would then dispense cruise missiles carrying precision-guided munitions to destroy enemy armor.

A force roughly comparable to that deployed in Desert Shield would deploy infrared sensors, advanced radars and laser-rangefinders, and accurate munitions the likes of which no regional adversary could begin to approach. Such advantages resulted in exchange ratios on the order of 100:1 in the Gulf War. U.S. ground units of the indicated size would possess rough parity with most regional foes in overall capabilities, as indicated by scoring systems such as the Analytical Science Corporation's TASCFORM or IMPAC measures. By this model, ground forces would defend key axes of potential attack and provide a cordon around bases, airfields, and ports. Air forces should be able to establish air supremacy rapidly and effect devastating attacks against enemy ground units that might destroy up to a

division a day and clog up roadways and other axes of attack.

In the Korean theater, regrettably, enemy artillery attacks would likely cause considerable damage to Seoul and environs regardless of the U.S. strategy employed, as Secretary Perry, Congressman Skelton of this committee, and others have emphasized. But a focus on precision-attack aircraft and systems to share data between Army counterartillery radars and Air Force planes, as suggested here, holds out hope that much of that artillery force would not survive past its first or second shot.

To be sure, things could go wrong. An adversary could effect a surprise attack by fooling U.S. intelligence about its true intentions, or destroy some U.S. prepositioned stocks on shore or at sea through enemy commando raids or missile attacks or even the use of a nuclear weapon, or--particularly in the Middle East--gain unexpected support as a result of a coup in a country now friendly to the United States. For such reasons, the United States should retain an ability to marshal a force comparable to that used in Desert Storm (and comparable in numbers of personnel, though far superior in capability, to those deployed in Korea or Vietnam).

What if it became necessary to undertake a larger combat operation when the United States was also involved in a second major crisis? Under such an unlikely situation, the United States would still have several choices. If only modest reinforcements were needed in the first theater, making for a total deployment on the scale suggested in the BUR document, the United States should still have some forces available for that purpose. If necessary, it could pull out of any peace operations to do so. If even larger forces were needed, it would be necessary to call on the enhanced readiness reserve brigades, enlist substantial support from major NATO allies, or devote most of the active force structure to the larger war and prosecute the

second one subsequently.

Forward Presence and Peace Operations. Over the past half century, the U.S. Navy and U.S. Marine Corps have maintained continuous or near-continuous deployments of aircraft carrier battle groups, Marine Expeditionary Units, and other ships in the Mediterranean Sea, Indian Ocean and/or Persian Gulf, and Western Pacific Ocean.

The logic behind those deployments held that Soviet presence--be it in the form of land forces, advisors, military cooperation agreements, or naval vessels--needed to be countered around the world in order to reassure allies and discourage further encroachments by the Soviet Union. In that regard, U.S. deployments were largely directed at Moscow and Moscow's allies, and were largely symbolic in nature--as the saying goes, they amounted to "showing the flag." Generally, serious political crises or military operations required more than the one carrier or couple thousand Marines that might be in place at a given moment, meaning that a routine global forward presence was not enough on its own and required reinforcement from afar.

As Brookings senior fellow, former Pentagon advisor, and MIT professor emeritus William Kaufmann has argued, such symbolic military deployments could have been accomplished with less difficulty and with a smaller carrier fleet through occasional overseas tours and crisis response rather than continuous presence. But such ideas were not accepted in previous eras, perhaps because it was believed that a large carrier force was needed anyway for possible wartime engagements involving the Soviet Union.

Today, several major changes have occurred. The most important and obvious is the dissolution of the Soviet Union and the end of Communist rule there, as well as the abrupt withdrawal

of the remaining Russian Navy from most distant waters. In addition, the development of long-range aircraft with improved conventional munitions has made possible an alternative type of rapid global military responsiveness.

Less widely appreciated is a third development. The expanded United States role in U.N. peace operations and other U.N.-approved military activities such as blockades, though often contentious domestically on a case-by-case basis, is a trend that has endured through two successive Administrations of opposite parties and seems likely to continue. Even when U.S. activities do not include substantial numbers of military personnel in a formal "blue beret" designation, it is often U.S. military assets and forces that provide logistics support, backup military capability, air cover, or similar assistance to the troops from other countries. The negative side of this state of affairs, rendered inevitable in many cases by the lack of any alternative to the United States, is that most U.N. operations have the potential to engender some type of U.S. military involvement. The positive side, however, is that the United States now displays its internationalist bent and reinforces its global commitments through many U.N. operations. Since it is precisely those purposes that continuous naval presence is intended to serve, routine U.S. naval and Marine presence as previously practiced may have become anachronistic.

With a drastic reduction in routine naval and Marine deployments, many of the problems of high deployment rates and equipment disrepair witnessed in the last year and documented by the House National Security Committee could be alleviated.

In those specific theaters where continuous naval presence was still needed--in enforcing a blockade, for example, or patrolling the Persian Gulf--the Navy should explore an idea from the Center for Naval Analyses. Under CNA's approach, the Navy



could rotate crews on a given forward-deployed ship, flying a fresh crew out to meet its vessel every 6 months and keeping that ship on deployment for roughly two years before taking it back to homeport for major repair work. Before flying to their deployed ships, crews would train in U.S. waters on other ships. In this way, the requirement to have roughly 3 to 5 ships in the fleet for every one deployed could be changed to a ratio of 2.5 to 1.

If it turned out that no U.N. missions were authorized over a period of time, Professor Kaufmann's idea for occasional deployments could be employed as a way of maintaining a certain global U.S. military presence. Meanwhile, the carrier homeported in Japan would be kept there and sustain continuous presence in East Asia.

Otherwise, carriers would have as their main purpose to remain on call for serious crises, or for any regional war in which the United States and allies suffered initial setbacks and did not have reliable early access to air bases on land.

Nuclear Forces. What are nuclear weapons for, particularly in the post-Cold War world in which the threats of proliferation and/or unauthorized use rank as higher U.S. security concerns than a conventional invasion of Europe by a huge adversary?

A substantial body of scientific data, theoretical literature, and experience with nuclear weapons and their role in crisis management over several decades suggest that such weapons are fundamentally dissimilar from other types of military instruments. What President Kennedy's national security advisor, McGeorge Bundy, called the tradition of nonuse has become a central and extremely important legacy of the Cold War. A great body of research about the likely effects of nuclear weapons on people, crops, water sources, and industrial economies suggests that any use of such weapons--and certainly any use involving

more than a few, or at most a few tens, of warheads--would be less important for its direct military effects than for the wanton destruction it would wreak on a society.

Thus, with nuclear weapons no longer the symbol of national resolve or central deterrent against larger adversarial armies that they became during the Cold War, the United States as the world's only conventional superpower can finally reduce drastically their number, their role in national military strategies, their alert rates, and when possible their spread around the world.

Doing so requires use of a host of policy instruments, many of which require patience at the negotiating table over a long period of time. In that regard, 1995 will be a critical year for nuclear arms control because of negotiations to renew the 1970 Nuclear Non-Proliferation Treaty and develop a comprehensive test ban. The latter treaty should make it much harder for other countries to develop fusion weapons or weapons that can be carried by ballistic missiles.

To push these efforts along, the United States can take a number of steps on its own, beginning with a more efficient and economical deployment of its 3,500 strategic warheads allowed under the START II Treaty. By deploying 7 or 8 warheads on a missile, the United States could decrease the size of its Trident submarine force by half; by relying more heavily on the bomber force, and in particular the B-1 bomber force, for its land-based deterrent, the United States could shrink the size of its Minuteman ICBM force to the range of 100 to 200 missiles. As recently explored by Reagan defense official Fred Ikle and others, day-to-day alert levels of remaining forces could also be reduced. Finally, the Department of Energy's efforts to continue research on nuclear weapons technology and to retain a large reserve of extra warheads could be scaled back considerably.

These short-term steps should be accompanied by efforts to cut back on strategic warheads in the Russian and U.S. arsenals, perhaps to 1,000 deployed warheads on a side, through a START III Treaty or protocol to the START II accord. In the process, it would be desirable to try to cap the arsenals of the medium nuclear powers at their current levels. Russia and the United States should also develop formal bilateral monitoring measures for stockpiles of excess nuclear materials and warheads.

Finally, both countries should change targeting doctrine to move fully away from "SIOP" nuclear counterforce targeting. By so doing, those countries would also be laying the necessary groundwork to consider extensive missile defense efforts. As Princeton physicist Freeman Dyson has argued, even imperfect missile defenses may be valuable added protection against a failure of deterrence in the future, but with a major caveat: they must not be deployed if they could disrupt the process of superpower arms control or lead countries into an offense-defense arms race. Without major changes in thinking about what nuclear weapons are for, defenses of any but the most modest sort are likely to do more harm than good; under a different approach to nuclear weapons policy, however, they could be a key part of future U.S. national security strategy.

**STATEMENT OF NORMAN R. AUGUSTINE, CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER, MARTIN MARIETTA CORP.,  
REPRESENTING THE COALITION FOR A STRONG NATIONAL  
DEFENSE**

The CHAIRMAN. Mr. Augustine, would you give us the benefit of your thinking, please.

Mr. AUGUSTINE. Thank you, Mr. Chairman, Mr. Dellums, members of the committee. I would like to submit my formal statement for the record and summarize it at this point.

The CHAIRMAN. Without objection.

Mr. AUGUSTINE. Thank you.

I represent today a group of 13 organizations that are associated with national security matters. The listing of those organizations is included on the first page of my formal statement. Because of the diverse backgrounds of the groups, I would plan to speak on the generic issues concerning the National Security Revitalization Act. The views on specific issues, and particularly the industrial base, will be my own.

I should also advise the committee that I have the privilege of serving a major defense contractor and, obviously, my experience is drawn from my background in that regard.

I would say at the outset, that it is my belief that the Nation owes nothing to defense contractors with regard to future business. We can have a small or a medium or a large defense industrial base, depending on the particular national objectives we choose to have in the national security arena. That choice is the choice not to be made by industrialists like myself but rather to be made by policymakers on the Nation's behalf.

That choice has to be made in a manner that balances our national objectives, resources we are willing to contribute, and finally, to the risk we are willing to accept in carrying out the objectives, either the risk of failure or the risk of price in succeeding. I refer to the possibility of casualties, of course, in combat.

I would like to submit that the industrial base is as important to a modern military force as is an army or navy or air force or marine corps. Clearly, one can't prevail and certainly not prevail with low casualty levels without a strong industrial base in the world in which we live today. This is a complex world, as this committee knows so very well. Senator Nunn has pointed out that we now are in a world which for the first time, has seen a major nation disintegrate with some 30,000 nuclear weapons.

Somehow, the elimination of the cold war balance as one of its effects seems to have made the world safe for smaller wars, I use the word "smaller" only in the sense, certainly, not smaller to the people who happen to lie in their paths. This poses a great dilemma for Americans who find it very difficult to stand by passively and watch humans suffer.

On the other hand, the balance is the impracticability of becoming 911 America, if you will. This makes defense planning very difficult, also, because the time horizon or time constant for defense planning is so very long.

I pointed out at this table before, that the Persian Gulf war, which was fought so successfully, was fought with the research that was conducted in the 1960's, fought with the development of



the 1970's, fought with the production of the 1980's, and the people of the 1990's. So we are talking today, not simply about the conflicts that might occur tomorrow, but we are talking about conflicts that might well occur 10, 15 years from now.

General Schwartzkopf remarked in his book, and I quote:

If someone had asked me on the day I graduated from West Point where I would fight for my country during my years of service, I am not sure what I would have said. But I am damn sure I would not have said, Vietnam, Grenada and Iraq.

So whatever objectives we do set for our national security forces and certainly for the defense industry that underpins those forces, we have an additional requirement which is to maintain a balance in the manner in which we devote those resources to a balance between force structure, modernization and readiness. In the past, we have failed to maintain this balance on occasion and we have paid the price by what has come to be called the hollow force. In the past, that hollow force has almost always when it occurred, taken the form of a force not adequately ready, short on training, on spare parts, logistics, in general.

In recent years, the Pentagon leadership to its credit has said it has no intent of repeating that error but today, in my judgment, and the judgment of those I represent, we face a new kind of concern, and that is a force that is imbalanced in a new manner, namely, a force that has inadequate modernization.

If one ignores readiness, one is likely to pay in terms of casualties. If you neglect modernization, one is subject to future casualties. The numbers are suggestive of this imbalance. We have now cut the defense budget in terms of real purchasing power since the peak 1988 spending and budget authority, by 35 percent. But we have cut the procurement budget which underpins modernization by 68 percent and we have cut the infrastructure by only 17 percent.

Therein lies, I think, the challenge that we as a nation have. The problem would be that if we pursue this course for long, we will compound the difficulty. In the vernacular, the tooth-to-tail ratio today is becoming rather long on tail, particularly with regard to infrastructure.

With respect to the defense industry, it is in a very tenuous condition. We have laid off over 1 million people now. We have probably close to another 500,000 to go. Sort of independent of what the Congress does this year, just because of the time it takes to convert budget authority into outlays.

But the fact is, we don't need as large an industry as we have had in the past and the industry is going about consolidating and shrinking itself and setting out to be more efficient. But the key point I would like to offer is that one has to plan for a defense industrial base, just as one has to plan for an army, navy, coast guard, there are no forces in the free enterprise system that can assure maintenance of a defense industrial base. That is the dilemma.

I would like to offer briefly six recommendations for the committee's consideration. The first is that you, indeed, stabilize the defense budget as a whole, because certainly if we continue the erosion we have seen, we would be unable to match the stated objectives of the Nation.



Second, within that budget, as I said, we need to balance spending between readiness, modernization and force structure.

Third, I believe it is important that we continue to reform the acquisition process which has been so inefficient for so many years. The step the previous Congress took was a very positive step, but, in my judgment, a very small first step. There is more to be done.

Fourth, it is appropriate to eliminate turbulence in how the budget is spent. In other words, stabilize the manner of spending the budget itself. The continual changes in requirements and people and schedules and funding leads to inefficiencies.

Fifth, we believe it would be to restore fidelity to the budget, in two senses: One, there are many nondefense items that are funded in the defense budget today, many of them very worthwhile but not relating directly to defense.

And second, many of the humanitarian and contingency operations that the Nation has been called upon to conduct with added demands on the defense budget and, in our judgment, should be funded supplementary in incremental amounts.

Finally, we need to reverse the trend of shifting a greater portion of industrial-type work from the private sector into Government facilities. I make that comment on a relative base.

In conclusion, I would note that over my career, it has been my privilege to spend time with people in our Armed Forces virtually all around the world. We have the most incredible people in our military forces today that one could imagine.

What we need to do is assure them that we are properly backing them with a capability to be both ready and to be modern. That, in turn, of course, requires a strong defense industrial base.

Thank you very much, Mr. Chairman, I would be happy to address any questions the committee might have.

[The prepared statement of Mr. Augustine follows:]

**Statement by  
Norman R. Augustine  
Chairman and Chief Executive Officer  
Martin Marietta Corporation**

**Before a Hearing of the  
House National Security Committee**

**On the  
"National Security Revitalization Act"**

**Washington, D.C.**

**January 19, 1995**

Mr. Chairman and Members of the Committee:

I am Norman Augustine, chairman and chief executive officer of the Martin Marietta Corporation. I appreciate the opportunity to present views on several critical defense issues related to legislation which this Committee is considering and which will directly impact the nation's ability to achieve both defense and budgetary objectives in the years ahead.

Today, I represent a consortium of 13 associations whose members comprise a broad cross section of companies and individuals with experience in many different aspects of America's defense needs. The organizations are the Aerospace Industries Association, the Air Force Association, the American Defense Preparedness Association, the American Electronics Association, the Association of Naval Aviation, the Association of the United States Army, the Association of Old Crows, the Contract Services Association, the Electronic Industries Association, the National Security Industrial Association, the Navy League of the U.S., the Professional Services Council, and the Security Affairs Support Association.

Needless to say, it is not possible to speak on behalf of so large and diverse a group of organizations on other than rather broad, generic issues. This I will do, but I can also tell you that there is in fact wide agreement among these organizations on the most critical issues relating to the National Security Revitalization Act. With regard to more specific matters, I will share with you views that I must characterize as my own. In this latter

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regard, I speak from the personal perspective of one who has spent a decade in five different assignments in the Pentagon serving under Presidents from both parties, and another 25 years in various defense-oriented companies in the private sector. Over the course of these assignments, I have seen enormous changes in the defense establishment -- but nothing like the tectonic shifts we are facing today.

Having observed from both the private and public perspectives the way America funds, equips and fields its armed forces, I can say with some degree of authority that somehow it works. In the last decade alone, America's defense apparatus helped stimulate the favorable conclusion of the Cold War, helped crush a well-equipped aggressor in the Persian Gulf, and contributed to America's reign today as the world's only "full-service" superpower. Indicative of this success, our military hardware is sought by virtually every nation in the world.

In short, America's defense establishment -- its armed forces and the industry that underpins them -- has served the people of the United States successfully and with distinction. This establishment is, in my judgment, well led today by both the civilian and military leadership in the Pentagon. Nonetheless, the very fact that we are here points to the fact that there are serious issues facing all of us, and if we fail to address these issues in a timely fashion, we will surely pay a price in terms of opportunities lost in the future. These issues generally focus on the adequacy of resources we devote to our military and to the manner in which we expend these resources.

Let me observe at the outset that in my opinion -- and it is strictly my own opinion -- this nation owes nothing to its defense contractors with regard to future business or prosperity. We as a nation can set forth a variety of alternative defense strategies that might require small, medium or large defense industrial bases to underpin them. The choice among these alternatives is a policy decision to be made by government leaders and not by industrial executives, and should be made on the basis of national objectives, the price we are willing to pay in meeting those objectives, and the degree of risk we are willing to accept in so doing.

But I do believe that once this choice has been made, it behooves our government to make certain that its policies affecting the defense industrial base are consistent with the national security objectives which have been established. To do otherwise is in fact to maximize risk ... and brings us not the best but the worst of all possible worlds. And I further believe that, whatever may be our established set of national security objectives, we should maintain a balance of force structure, readiness and modernization.

Finally, I believe that we should view the capability of the defense industrial base much as we view the need to provide capable armed services. A nation cannot prevail, or at least not prevail without heavy casualties, in modern warfare without a strong defense industrial base. Such an industrial base, as I will discuss further, is not self-generating ... it must be consciously nurtured.

There are two general points I would like to make this morning -- the first relating to the private sector participants I represent and how they have



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been responding to the new realities of the post-Cold War defense environment. The second point has to do with the government's reaction to the same circumstances, both in Congress and in the Department of Defense.

Let me begin by briefly reviewing the events that have brought us to this committee room today. More than five years after the fall of the Berlin Wall, rapid and fundamental changes continue to ricochet throughout the world political order. Ironies abound: Consider, for example, that among the differences today between the United States and many of the former Warsaw Pact states is that the U.S. has a legal Communist party. Or that each of the recent times I have visited Moscow there were longer lines at McDonald's than at Lenin's tomb. Or that in one trip to what was then Leningrad, I met a very distraught politician who was exceptionally curious about the democratic political system. It turned out that he had just run for re-election unopposed -- and lost. And a former Soviet state archivist recently observed, "The state property being privatized most rapidly is KGB files -- and they're not for sale."

The new world order -- or disorder -- could perhaps be summed up by Saudi Arabian General Khalid bin Sultan bin Abdul-Aziz, who said, "If the world is going to have one superpower, thank God it is the United States of America."

But now that we've reached this almost unimaginably hopeful end of a wrenching period in the history of mankind, another almost equally wrenching question emerges: Where do we go from here?

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Sometimes it seems that the principal effect of the end of the superpower conflict has been to make the world safe for smaller wars -- "smaller," that is, except for those who happen to fall in their path.

Less than 10 days ago, the Director of Central Intelligence testified before a Senate hearing that "[E]thnic, religious, or national conflicts can flare up in more than 30 countries over the next two years." Such a plethora of current and potential conflicts poses an excruciating dilemma as we as a nation seek to balance America's aversion to human suffering with the impracticality of becoming "911-America."

Added to this volatile mix are the sobering facts that states that formerly were part of the Soviet Union still have an estimated 26,000 nuclear weapons in their arsenals, that three other nations have publicly confirmed they have "atomic devices," and an estimated nine additional countries either covertly have or are working to develop their own nuclear capabilities. A reminder of the world we are entering was suggested by the Indian Minister of Defense in his comment a few years ago that the real lesson which many may learn from Desert Storm is: "Never fight the Americans without nuclear weapons."

With the end of the Cold War, America embarked on a path that markedly scaled back our defense expenditures and the forces they support, for example, reducing the size of our army to the point where it will soon be the ninth largest in the world. Let me add that this reduction in defense expenditures has made it possible for our nation to reap a long-

sought peace dividend. One measure of this dividend is that by a conservative calculation more than \$400 billion in real purchasing power has already been diverted from defense budgets to other purposes since the fall of the Berlin Wall.

Disappointment over what some have characterized as the seemingly modest impact of this reduction on the overall federal budget stems from the fact that non-defense government spending is now growing at a rate which far outstrips any plausible reductions in defense spending. The entire defense budget is now only slightly larger than the interest on the national debt or about one-fourth of the cost of health care. America should, of course, spend no more on national security than it needs, but America can afford whatever national security resources it does need. Today, we spend more on legalized gambling than we do on defense, more on beer and pizza than we do on the Army, more on tobacco and soft drinks than we do on the Navy.

The budgetary reductions that have already taken place have had a substantial impact on the defense industry. The overall Department of Defense budget has been reduced by some 35 percent in real terms from its peak in the mid-1980s. But that part of the defense budget that underwrites equipping our military forces and has provided the underpinning of the defense industry -- the procurement budget -- has been reduced by 68 percent, thus far. The research and development budget -- while experiencing much less of a reduction -- has been scaled back well in excess of what had been planned just a few years ago. But a major

concern is that the cost of defense infrastructure has not been curtailed accordingly.

One of the complicating factors in defense budgetary planning is that the time horizons are so distant. It is useful to recall that the systems that performed so well in the Persian Gulf largely represented the technology of the 1960s, the development of the 1970s, and the production of the 1980s -- all utilized by the people of the 1990s. That is, decisions made in the 1970s to a considerable extent determined the casualties suffered in the Persian Gulf. Similarly, the decisions we make today will to a considerable extent determine the casualties we will suffer in carrying out our national security objectives in the early part of the next century. This is a very great responsibility for each of us.

That America's defense industrial base is becoming increasingly tenuous is becoming increasingly evident. The major firms making up that industry sell at a 30 percent discount to the S&P 500 index, and the discount was closer to 80 percent until a few mergers raised hopes that part of the industry might yet survive and prove viable. The combined market value of the top four aerospace firms is less than that of McDonald's, meaning that Big Macs and Egg McMuffins are judged by the market to have greater immediate reward than stealth aircraft and "smart" weapons.

Current plans call for the defense budget to decline to less than three percent of GDP in 1999, half of what it was in the mid-'80s, and the lowest level since immediately prior to Pearl Harbor. Of course, these reductions

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are not news to the members of this Committee. But there may not be wide understanding of the challenges that rapidly declining U.S. military procurement budgets are posing to the defense industrial base as well as to the military forces themselves.

In the middle of this century, our armed forces were called upon to perform a clear mission -- to fight and win a global war. For most of the latter half of this century, the American public looked to our forces to successfully prepare for war -- and by so doing to deter war. Today, and for the foreseeable future, the public is looking to our military to "wage peace" -- that is, to deter small wars as well as big ones -- a challenge that is turning out to be daunting. Nonetheless, this is the challenge the American people have given the defense establishment in the last decade of the 20th century. And, properly, those entrusted with the management of this establishment are expected to carry out the challenge efficiently and with the minimum required funds.

This brings me to the very important point which I alluded to earlier: I believe, and the evidence seems to support, that the private sector -- the defense industrial base which I represent today -- has moved deliberately and decisively to respond to the challenge of "waging peace." Just as America's commercial industry has been undergoing a wrenching realignment and downsizing over the past decade, prompted by the *presence* of Japan on the world scene, I believe America's defense industry is experiencing a similar process of realignment and downsizing, prompted by the *absence* of the Soviet Union on the world scene. The defense supplier base has imploded; some numbers suggest a shrinkage from



about 120,000 firms a decade ago to 30,000 today. Whatever may be the precise numbers, the impact is being felt far beyond the board rooms of America's defense companies. The basic fabric of the defense industrial base is undergoing profound change as corporations restructure, consolidate or altogether depart the industry.

I have noted on previous occasions that the one-millionth defense industry job was eliminated on about July 4th of last year, including direct employment only. We will lose at least another half million jobs before the bottom is reached. Many of these were well-paying scientific and technical jobs which employed some of the most talented and motivated people in our national work force. The disruption of the lives of these individuals has been deep and wide and unrelenting ... but the inescapable fact is that the threat to America has changed and downsizing of the industrial base was mandatory.

Our industry has been closing plants and selling properties at an unprecedented pace. In the case of the company I serve, we have already shuttered five million square feet of plant space and another wave is yet approaching. But by so doing, we will have will saved the taxpayer nearly \$2 billion over the next five years alone.

The private sector has thus responded to the changing needs of the nation. We have taken the painful actions and made the difficult decisions. And we are not yet finished: More wrenching decisions lie ahead. But I believe we have faced the tough challenge given us by the American people in a disciplined and pro-active way.

Drawing upon my service in both the government and in the private sector, I am acutely aware of how much more difficult it is to reduce infrastructure in government. Anyone who has watched the courageous but prolonged deliberations of the Base Closing and Realignment Commission can grasp the difficulties of reducing the physical plant of the Department of Defense. When I worked in the Pentagon I observed the extraordinary difficulty of "rightsizing" the public sector, how many impediments were encountered with every proposed job reduction. Companies in the private sector consistently have made such reductions quickly as an understandable necessity of remaining in business. The market forces are working in this regard.

This, then, leads to the other important point I wanted to make today: namely, that whatever may be the correct size of our military establishment, we are in fact creating a highly unbalanced force by neglecting to maintain that force in a modern condition. The same temptation exists in business where one can for a time neglect to buy new machines for the factories or new equipment for the laboratories or replace obsolescent buildings. But the trap is that sooner or later this practice catches up with itself in an avalanche of future costs which must be met near-simultaneously.

I mentioned before that the defense procurement budget has been reduced by 68 percent in real purchasing power in less than a decade. This contrasts with an overall defense budget reduction of 35 percent. Infrastructure costs associated with operations and maintenance have only

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been reduced by about 18 percent. The consensus within the industry is that the elements of the defense budget have fallen out of balance.

If one takes *today's* asset value of equipment owned by the Department of Defense and divides that number by the annual investment in modernization -- namely the procurement budget -- one derives a number that indicates we are now on a replacement cycle of about 54 years. Stated otherwise, the average item of equipment provided our armed forces has to last 54 years. This is in a world where technology generally has a half-life of anywhere from two to 10 years. I believe that no private company pursuing such a policy would long survive.

We saw in the Gulf War the consequences of modern military technology -- for example, precision guided weapons delivered within inches of their targets, stealth, the ability to see at night and to navigate within a few meters even on a desert. The result was that the war was won quickly, decisively and with relatively few American casualties.

What is so often overlooked is the fact that in today's era of the "come as you are" war, where outcomes can be decided in a matter of days or even hours, the only equipment available to our troops will be that which was planned for and acquired during the decades before the actual conflict occurred.

As I stated at the outset, it is not the role of those of us from the private sector to prescribe the size -- that is, force structure -- of our armed services. But it is within our competence to suggest that whatever that

force structure may be, it should be balanced in terms of both readiness and modernization. To the great credit of those bearing the grave responsibility of providing for America's armed forces, the nation has, in this recent downsizing, to a considerable extent avoided the trap of building a so-called "hollow force" in terms of its readiness to fight. But what we must also assure ourselves is that we do not gradually build a force engendering a new kind of hollowness, namely the lack of modernization needed to fight effectively.

Thus, we must be concerned both with readiness and with modernization. Lack of attention to the former produces *near-term* casualties, to the latter produces *future* casualties.

Given these consideration, what steps are appropriate to assure the adequacy and efficiency of America's defense forces? I would like to offer six suggestions for your consideration.

**First, the defense budget should be stabilized.** The recent Administration initiative to add \$25 billion over several years to the DoD budget is a constructive step, but does not address the full range of the challenge the nation's defense establishment faces nor does it significantly do so in the near term. It should be noted that the lag time between authorizations and outlays in the procurement budget virtually assures several more years' erosion in the defense industrial base.

**Second, the balance among procurement, R&D and O&M funding must be restored.** We must provide greater funding for exploratory

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development and prototyping -- particularly high-risk/high-payoff pursuits of the type which helped make American defense technology the best in the world and which is central to our stated defense strategy. And in so doing, we must be prepared to accept the occasional failure that necessarily accompanies any effort to push the edges of the state of the art. We must invest more in procurement so that our forces are well equipped to protect themselves and our national interests. This is important not only for the active forces but also for the Reserve and National Guard since they are shouldering more and more of the burden for achieving national security objectives.

**Third, we must continue the effort to reform the acquisition process.** Secretaries Perry and Deutch and the Congress deserve broad acclaim for the first successful initiative in memory to reform the much-maligned defense acquisition process. The Federal Acquisition Streamlining Act of 1994 demonstrates that it is possible to revise the acquisition process which for many years has been needlessly complex, inefficient and resilient to change. We must now turn our attention to assuring that the regulations implementing this new act carry out the legislation's intentions. In so doing, we need to reform the entire acquisition culture, and having done so, we must recognize that the recent legislation is barely a first step toward full procurement reform.

**Fourth, we must eliminate the turbulence in the acquisition process.** The principal cause of inefficiency in the acquisition process is not the infamous coffee pot, hammer or even toilet seat; it is the perpetual motion of requirements, people, schedules, and funding. What is needed is



to make it much more difficult to start new programs, but once started, to grant very few people the authority to change them. In this regard, the time has come to appropriate funds by the project, not by the year. A true biennial budget cycle would be a reasonable first step.

**Fifth, we need to restore fidelity to the defense budget.** The American public might be genuinely surprised by the findings of the Congressional Research Service, which noted that the defense budget is being used more and more to underwrite programs -- sometimes very worthwhile programs -- that have little or nothing to do with national defense. General Dennis Reimer of the U.S. Forces Command recently told a Senate Subcommittee, "We spend more on environmental programs than we do training the 1st Cavalry Division."

Additionally, U.N. operations and other types of peacekeeping and "nation-building" costs should be budgeted incrementally as they occur ... some perhaps even under the Department of State budget. Contingency military operations should be separately funded under the Department of Defense budget as such activities take place. Further, restoring "firewalls" in the DoD budget would allow more disciplined allocation of costs to national defense.

**Sixth, we should reverse the trend of shifting work from the defense industry to government facilities.** Any expansion of the government in maintenance and repair operations only intensifies the decline of the defense industrial base. This trend, minor at first, has accelerated in recent years as military installations seek funds to sustain

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infrastructure. Maintenance and repair operations increasingly are being conducted by the government itself at the expense of the private sector. This trend toward greater government involvement in functions generally allocable to the private sector flies in the face of trends almost everywhere else on earth.

In summary, Mr. Chairman and members of the Committee, I believe that both the armed forces and the defense industrial base warrant fresh attention by our national leadership. America may be the only surviving "full-service" superpower, but the future is still extraordinarily difficult to predict. General Schwarzkopf, toward the end of his autobiography, included the following passage: "If someone had asked me on the day I graduated from West Point where I would fight for my country during my years of service, I'm not sure what I would have said. But I'm damn sure I would not have said Vietnam, Grenada and Iraq."

And that's the problem in trying to forecast the need for national defense and the industrial base that underpins it, a problem which is exacerbated by the 10-to-20-year lead time for most products of the defense industrial base. For in this age of "come-as-you-are wars," the casualties we suffer in combat may depend more on our preparedness prior to the initiation of combat than on anything we do during combat -- a point writ bold in contrasting the initial battles in, say, Korea and the Persian Gulf.

America is blessed with the finest men and women in its Armed Forces of any nation on earth. It has been my privilege to have personally

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accompanied them ... from Berlin to Saigon, from Panama to Panmunjom ... from the ocean's depths in submarines to the surface of the sea in attack carriers ... from the dusty heat of Abrams tanks on the desert to the cockpits of jet aircraft in the sky. I have seen for myself just how capable these people are -- and this is reflected in public opinion polls which show the high level of confidence America today holds in its military.

Our opportunity as a nation is to build upon this advantage, and to underpin it with a right-sized, high-quality defense industrial base. This will require considerable effort on the part of those of us who bear a fiduciary responsibility for America's military capability; because as marvelous as is the free enterprise system, there are no forces in that system to assure the preservation of an adequate defense industrial capability. This is the underlying dilemma of the defense industry.

Thank you for your attention. I would welcome the opportunity to answer any questions you might have.

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The CHAIRMAN. Thank you, Mr. Augustine.

We are going to begin the questioning with Mr. Dellums.

Mr. DELLUMS. Thank you very much, Mr. Chairman.

Dr. Williams and Dr. Hinton, both of you have come to very different conclusions with respect to what you perceive to be the shortfall. First, I would like to ask each of you, am I not correct that your analysis assumes the Bottom-Up Review force structure; and second, how do you explain how GAO and the Congressional Budget Office come to such different conclusions with respect to numbers?

Start with Dr. Williams.

Ms. WILLIAMS. Yes, we do, indeed, assume the Bottom-Up Review force structure in the CBO estimate. Although, this particular estimate did not call that assumption into play. This was simply a numbers game of looking at the amounts that were in the FYDP and the plan for the FYDP.

Now, as far as the difference with the GAO estimates, as you know, GAO estimated \$150 billion, while CBO estimated \$65 billion and that does sound like a huge difference. In fact, every area of difference is explainable.

First of all, in terms of the categories of cost growth that we considered, we both considered similar categories, we both looked at weapons cost growth, for example, and we both looked at the inflation differences, we both looked at the difference in pay raises. But the main areas of difference were, first of all, in our weapons cost growth estimates.

This is—I mentioned when I talked before about the emphasis that CBO placed on the more at-risk systems—the systems that are either in development or the early stages of procurement. In other words, we did not include any mature weapons systems in our estimate. My understanding is that GAO included most weapons systems either in research and development or procurement.

So since we started with a much smaller base, we got a much smaller number; \$8 billion versus \$58 billion, which was their total estimate.

There were also differences in how we carried out the estimate on a smaller base, so we looked at estimates of cost growth that were tailored to the various types of weapons systems, instead of using a single across the board estimate.

In some cases, those estimates were quite a bit higher than the GAO estimate, so where they had a 20 percent across-the-board cost-growth estimate, we were using in some cases 50 and sometimes 70 percent, but it was a smaller base which accounted for the smaller number.

The second area of substantial difference between the two is in the defense management review reforms that had been planned and for which savings were accounted under the FYDP. My understanding is that GAO assumed that most of those defense management review reforms would not achieve the savings that the Defense Department had accounted for in the FYDP and, therefore, they rejected \$27 billion or so worth of defense management review initiatives.

Now, CBO had, based on details in the FYDP and based on discussions with Department of Defense, believed when we built our

estimate that, in fact, when the Department of Defense built the FYDP, they had already subtracted out a fair amount of money from the defense management reform initiative savings that they at one time counted on.

They subtracted these out, because the Dean panel said most program managers didn't believe they would achieve the kinds of savings that were being attributed to the DMR review.

The third area where we have a difference is in the treatment of environmental cost growth. CBO does believe that there is some possibility of environmental cost growth. In fact, our estimates, CBO and GAO are the same—\$20 billion—but the difference is CBO put that in the less likely category rather than into the total.

That is my understanding of the areas of difference.

Mr. HINTON. Mr. Dellums, I would also agree with her characterization, I would only add one thing, and it has to do with the weapons systems area. Our analysis in the weapons systems area is a historical look over the last 25 years at all major weapons systems, and our conclusion was that there was about \$292 billion at risk for significant cost increases.

As we looked over that period of time, what we were able to see is changes in those programs. We were able to identify the triggers that caused program instability, cost growth, changes in quantity, engineering design changes, so it gave us a very historical perspective and we made a conservative estimate that, roughly, 20 percent of those programs or \$58 billion would be subject to cost growth and that is basically the only thing I would add. I would agree with everything else Ms. Williams has said.

Mr. DELLUMS. Thank you.

Mr. O'Hanlon, let me say that I was intrigued as I read your testimony last night, by your effort to challenge us to think anew and to talk about new military and foreign policy. I think that kind of fundamental thinking needs to precede the discussion of a shortfall over the next 5 years.

My question is, do you agree with me that if you view the Bottom-Up Review simply as the starting point and not the end point, and that as you—I think as Secretary Perry indicated when I raised a question with him, yes, we were looking at a world through a glass darkly, but as our vision of the world became clearer, we changed the assumptions on which the Bottom-Up Review is based.

If that is, indeed, correct, do you agree with me that it is possible to address the shortfall by moving to different assumptions and a different force structure that is not contemplated in the present Bottom-Up Review?

Mr. O'HANLON. I would agree, but I also agree not a whole lot has changed in a year-and-a-half. We have a crisis or potential crisis in Korea and Southwest Asia. Those facts have not changed. What I think we need to remember is in regard to those two theaters, the administration itself said: "Where we try to deter, we do a pretty good job. When we don't try, we often fail."

In 1950, North Korea invaded South Korea shortly after Secretary of State Acheson said South Korea was not within our perimeter of defense. In 1970, there were similar impressions. But



with respect to defending Kuwait, at this point in time, I believe there is not that uncertainty.

At this time, as evidenced as recently as October, the United States will quickly deploy force to deter aggression in these theaters. So deterrence is something that is much—at this point, provided we remain vigilant and respond to the crisis and do what we can to respond quickly with logistics, I think deterrence will be a much easier job than we give ourselves credit for. It doesn't say we shouldn't be vigilant, but it says the raw firepower of a Desert Storm force may not be necessary, especially as we continue to increase precision attack capabilities, as we continue to add LANTIRN pods to tactical aircraft, as we continue to develop new and better precision-guided munitions that people know we are developing, and these are very, very powerful systems, and that is proven in recent history.

Mr. DELLUMS. Mr. Chairman, I have a number of questions, but there are many other Members present, and I would yield the balance of my time.

The CHAIRMAN. Thank you.

Mr. Stump.

Mr. STUMP. I have no questions.

The CHAIRMAN. Mr. Kasich, chairman of our Budget Committee.

Mr. KASICH. Let me follow up with you, Mr. O'Hanlon and ask you something that you touched on. This issue of the two regional conflicts—the fact we could have two Desert Storms occurring at the same time—is that a realistic expectation that we would conduct two Desert Storm-type operations simultaneously?

Mr. O'HANLON. Thank you, Congressman.

I may not be the best person to talk about the military operational issues, but there are a number of reasons why I would tend to say no. The Secretary of Defense himself has suggested the answer may be no. History suggests that we generally fight one of these at a time. We don't tend to fight two front wars unless it is a world war scenario and even there we proceeded sequentially.

Mr. KASICH. In other words, if you come from the AFC and you are expecting you are going to play both Dallas and San Francisco on the same day, at the same time, and you plan for that, your planning is significantly different if you know that you will never do that, is that correct?

Mr. O'HANLON. Yes, although I think it is possible we could face two crises as one, we saw this in the summer of 1994. It is generally the case, however, that by the rapid deployment of forces to buttress our deterrent, one can avoid the actual outbreak of hostilities.

Mr. KASICH. In other words, the issue would be that while the conflict scenario is a legitimate one, the way in which we attack, or the way in which we plan realistically can have a dramatic—well, I don't want to say, dramatic impact, but can have impact on the way we look at what weapons we need, what our readiness is, the whole kettle of fish is based on our strategy, is that correct?

Mr. O'HANLON. Yes, I think that is largely true.

Mr. KASICH. Isn't that what former Defense Secretary Les Aspin wrote on the back of a napkin?

Mr. O'HANLON. I don't know that anecdote, but—

Mr. KASICH. I want to ask Mr. Augustine a question.

I was talking to Congressman Saxton about this. I understand that the commercial airline industry is going to start to deliver major airlines aircraft within about a 10-month period of time. The C-17 has taken 20 years to develop; 10 months versus 20 years. If you take the B-1, you have the Government actually acting as the integrator of the avionics on the aircraft itself. We had the Government trying to function as the integrator moving industry out of the way, constantly changing the requirements that we wanted this system to be able to achieve.

Is it possible, Mr. Augustine, for us to shrink this five-step process that you get put into as a contractor, that drags out development of these systems over a period as long as 20 years, which you have very limited control over because of the changing requirements; would it be possible in an era of tight dollars to be able to dramatically reinvent this whole procurement process so that we can shrink the time period, eliminate all the additions to the development of these major weapons and save money in the process?

Mr. AUGUSTINE. Unfortunately, the examples you cite are not alone. You can think of many others, the Patriot was 18 years, Aegis 18 years, both fine systems. There are others. Clearly, one can considerably abbreviate the length of the development process, and time is money in the development process. Time is also obsolescence in the development process.

One of the reasons for the problems is the very thing you address here and that is inadequate planning for future defense needs means there is not enough money so one tends to stretch out programs simply because the money is not available to conduct them at an efficient rate. So it is very important to have the good planning.

Second, I think it is important to allow for contingencies. One has to expect the unexpected when you are pushing the state of the art. The average development program, last time I checked, took about 8.5 years, the longer ones, as you point out, will go nearly 20 years. I think we could do a great deal better if we could program the money more efficiently.

Mr. KASICH. How would your private sector business function if you had that development time in development of products?

Mr. AUGUSTINE. You wouldn't survive.

Mr. KASICH. Is it possible to develop weapons for defense, including buying off-the-shelf systems that the private sector developed, helicopters, for example, that you could manage, that you would service and enter into a lease arrangement with the Government that would save money, No. 1; and No. 2, that we could, in fact, revolutionize this procurement process so that we can shrink this time period?

Mr. AUGUSTINE. Yes, I think for some types of equipment, you can do exactly what you said, and clearly, one could greatly shorten the process. It does mean one has to allow money for reserves and it means you have to adequately program, in the first place.

Mr. KASICH. A final question, Mr. Chairman.

How much money is in the defense bill that is nondefense, from both of you; that you can characterize as nondefense?

Ms. WILLIAMS. Yes. CBO has not done an estimate of that. I know CRS, Congressional Research Service, has done an estimate.

Mr. KASICH. I thought yours was \$11 to \$13 billion.

Ms. WILLIAMS. Yes, we just quoted the CRS estimate. It was \$11 to \$13 billion.

Mr. KASICH. That is on a yearly basis, over 5 years being \$55 billion?

Ms. WILLIAMS. That is the 1995 amount.

Mr. HINTON. We are in the process of doing that for you now and our numbers are coming up to close to CRS preliminarily. We hope to have that analysis done in the next month or so.

Mr. KASICH. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Kasich.

The gentleman from Missouri, Mr. Skelton.

Mr. SKELTON. Thank you, Mr. Chairman.

I appreciate the excellent testimony by the four witnesses. This is an excellent place to start our discussion.

It appears we have two issues before us; the first, as outlined by our good friend from California is the Bottom-Up Review, the proper standard against which we should measure the defense proposals; and the second, assuming we do use the Bottom-Up Review, what figures do we use and follow.

It appears that each of you have done a great deal of homework, and I have, together with my staff, followed a lot of the work that you have done in detail. I compliment you for that. Both GAO and CBO, I compliment you both.

Before asking a question, may I first point out historical facts, since last year, when we questioned whether the Bottom-Up Review, as proposed by the former Secretary of Defense Les Aspin, is this a quote or not? "This last year, we came within a gnat's eyelash of three—count them, three armed conflicts. Two were defused by the efforts of former President Carter—North Korea, and Haiti. The third was the show of force against Saddam Hussein."

It is no accident that Saddam Hussein judged his movements—and I am convinced he would have gone on into Kuwait and taken the oil fields. There is no coincidence that he judged his movements seeing that we were about ready to get ourselves tied up one way or the other in the Korean peninsula.

I have problems, as the former chairman will remember, in the Bottom-Up Review, when it was first unveiled to us, but they went the other way. One of the major problems I had and I think is substantiated by history in the last months and years, is if you look closely at the Bottom-Up Review of the Armed Forces, that at that time were some 24,000, doing peacekeeping work, the Armed Forces when the second major regional contingency came along would immediately be pulled out and put into the line in combat against the second major regional contingency. That, of course, would leave the peacekeeping duties void unless we could get a competent ally to take their place.

So let me go to your work, the first question; did you take into consideration, either of you, Ms. Williams or Mr. Hinton—did you take into consideration in either of your computations, the proposed—and we did pass an amendment of \$276 million last year, which will balloon out, totaling about \$4 billion over the 4 to 5



years of the cost-of-living pay increases for the retirees. Did either of you take that into consideration?

Ms. WILLIAMS. We did not.

Mr. HINTON. We did not.

Mr. SKELTON. So each of you would be short, if we undoubtedly follow through on that, which we would, this committee did, your figures would be short an additional \$4 billion, if that is correct, is that not right?

Ms. WILLIAMS. My understanding is the retirees are not paid out of Department of Defense funds, but if you are looking at the total budget, there would be additional budget.

Mr. SKELTON. Dr. Williams, there was a COLA voted on in this committee that passed unanimously, that started the first of four years for the COLA increases out of this fund.

Ms. WILLIAMS. I am sorry, I was unfamiliar with that.

Mr. SKELTON. Well, if what I am saying is correct, you would be understated by some \$4 billion; is that correct?

Ms. WILLIAMS. Yes, sir.

Mr. SKELTON. I have been looking at your budget figures and it appears that what the President has proposed, the Secretary of Defense has proposed, a \$25 billion addition, the first year would be a \$2 billion increase; the second year would be a \$2 billion; third year would be a \$3 billion increase; fourth year would be a \$3 billion increase. Would you tell me each of you how those figures—you will note, I eliminate the last 2 years of \$6 and \$9 billion, it ramps up very fast—how the first 4 years, \$2, \$2, \$3, \$3 billion would compare with what you have done. That is my last question.

Ms. WILLIAMS. I am sorry, is that to compare with?

Mr. SKELTON. Yes.

Ms. WILLIAMS. My understanding is, that is \$2, \$2, and \$3 billion.

Mr. SKELTON. Two, two, three, and three billion dollars.

Ms. WILLIAMS. Would go toward additional military pay raises and some of it for these quality-of-life adjustments. That is my understanding of the administration's intent.

Mr. SKELTON. But that doesn't cover it, does it?

Ms. WILLIAMS. My sense is that it just covers military pay increase, that brings you from what is in the future year defense program right now, which is the employment cost index minus 1.5 percent, up to the guideline level of EC-I minus 0.5. And there may be little room left for quality-of-life increases. It doesn't cover any additional pay raise for civilians.

Mr. SKELTON. Thank you.

The CHAIRMAN. Thank you, Mr. Skeleton.

The gentleman from Pennsylvania, Mr. Weldon.

Mr. WELDON. Thank you, Mr. Chairman.

I thank our witnesses, also, for appearing today. This hearing is little like *deja vu*, I pulled this out from the May 2 hearing last year, talking about Bottom-Up Review, and many of us felt there would be a tremendous shortfall of dollars to meet the needs identified, in light of the threat out there in the real world. Here we are again discussing the same thing.

I have to say at the outset, I am a little concerned that GAO's characterization that somehow members of my party have misused the report that was issued, looks like a semantic interpretation of

the word "underfunding" versus "overprogramming." Looking at past GAO documents, where the word "underestimates" has been used, such as the 1984 report. It surprised me that GAO would attempt to make this kind of an issue.

We look to you for the facts and information and leave it up to us to determine the policy implications. I think the characterizations appearing in the media have been unfortunate. I am also concerned that what we are talking about here to new members is a defense spending posture that is reaching an all-time low, and if we look at the 1960's, when we spent about 9 percent of GNP and over 50 cents of every dollar on the military, to this year's budget, where we spend a little over 3 percent of GNP and 17 cents on every dollar. We have made dramatic reductions in support for our military.

But let me make this case, I did not hear any one of our witnesses—and, Mr. O'Hanlon, I would like to ask you specifically why—perhaps it wasn't included in your report—there was no mention of the \$4 billion in last year's bill that was not requested by the administration and that was not authorized by this committee. Simply items added in, \$4 billion.

Is that not a significant item or is that something we should not worry about nor care about, or is that something necessary to meet the security needs of the future? In fact, in R&D accounts alone, there were \$2 billion of unauthorized programs that, in fact, were not asked for or authorized by this committee or the subcommittee that in fact, were appropriated.

We didn't hear much, although you mentioned cuts in defense conversion, I think your testimony stated around \$1.5 billion should be cut in that area. But I would like to hear some further comments on the whole issue of what we should be spending in terms of defense conversion, and also the problems concerning the \$13 billion in environmental costs.

When you take those items and look at the cuts we have made over the last 30 years, and add in, perhaps, \$2 or \$3 billion for defense conversion, some of which I support, add in \$13 billion for environmental restoration, some of which I support, and then take \$4 billion of unauthorized appropriations, we are talking about a far lower level than what has been presented here. I would like to hear a candid assessment along the line of my comments.

My last point is, and Mr. Augustine, I would like you to put in written form, the recommendations to us very clearly and succinctly that we could take aggressively and work on, as our colleague mentioned, to streamline the acquisition process. I, too, want to see us reduce the waste that occurs in that process. I think you will have a very receptive group of members on both sides to work with you in that regard, on behalf of the industry group.

My final point is, and this is to Mr. O'Hanlon, what we can have resulting is recommendations being made to us in a vacuum that sound good. You cited two specific programs, and there will be a smile on the face of many people when I mention one of them. That is my interest in the V-22, even though it is no longer in my congressional district.

Let me ask you, it is nice to make a recommendation. You have recommended canceling the program. So is it correct to assume



that what you are saying is that we can cancel that and save the money you have suggested here?

I did not see any increase in funding to buy an alternative. Are you saying the Marines medium-lift capability is OK with 35-year-old CH-46's, and they will last another 20 years? Is there no cost for maintenance or upkeep or perhaps bringing them into the 21st century in terms of technology, are you saying we can eliminate that program and not spend any other money in the area of medium-lift?

Mr. O'HANLON. No. I apologize for leaving that impression.

Mr. WELDON. I think part of the problem we have in the country is, and the media is very good at this, we are quick to say, let's eliminate this or that program. Our job is to look at the threat and to look at the need.

It is easy to say, cut something. But the point is, if we are going to cut something, how are we going to meet that obligation out there or the need that is there in terms of our military?

Many of us sat through a closed hearing yesterday that was the beginning of our threat assessment briefings that, hopefully, will allow us focus our efforts, first of all, on the real threat out there. I agree the Soviet Union is no more and it is a changed environment, but I am also aware of the Soviets selling very sophisticated systems to Iran, systems that could threaten our security, that pose additional threats to us. We cannot develop a defense budget in a vacuum.

I think the ultimate obligation of this committee is to make sure that we are basing our initial estimates for our colleagues on the threat that is there and not some artificial number handed to us by some pencil-pusher in the Pentagon or in some other agency. I have been one that used my vote to deny programs in the past that, in fact, the Pentagon has wanted.

So I had my opening statement, as well as opening questions, but I, from time to time, have been known to do that.

I thank you for your indulgence, Mr. Chairman.

The CHAIRMAN. Thank you for a very good question, Mr. Weldon.

Mr. Ortiz, the gentleman from Texas—excuse me, Mr. Sisisky.

Mr. SISISKY. Thank you, Mr. Chairman.

I just wanted to compliment my colleague. I couldn't have said it better over there. He has taken everything.

I can't understand what is happening here today. CBO says \$47 billion, GAO \$150 billion, well, we can discern the difference. How can you discern the difference? You didn't prove it to me.

I don't understand what is going on. I really don't. If you look at some of the things you are talking about here—inflation—doesn't the Pentagon add inflation when they do the future year defense program?

You are talking about a \$20 billion difference? I haven't seen any high inflation taking place, unless somebody knows something, maybe somebody talked to Mr. Greenspan, he seems to know that inflation is going on. But I don't understand how this is all happening.

Cost growth, we can stop the cost growth by putting in a ceiling. Any Member of Congress can do that with an amendment. They can do it. I still don't understand the difference.

Ms. WILLIAMS. The problem on inflation was that inflation did take a jump from—the inflation projections for the future took a jump from 1993, when the future year defense program was prepared, until 1994, when it was submitted.

Most of that rise in inflation projections is still with us. That is how the Pentagon ended up with the \$20 billion problem.

The problem of trying to decide which you believe, \$65 billion or \$150 billion, I certainly agree with you. You basically have to decide what you think are going to be the policies, what you think is going to happen with inflation over the years, and what you think about the desirability of folding additional money in now against contingencies that might happen later.

Mr. HINTON. I think, Mr. Sisisky, I would like to add, too, that one thing that I think we are all in agreement here, is that there is a mismatch and it is a question of how big that mismatch might be, and each of us have gone through different methodologies to try to pinpoint that given the future year defense program that we have been working with.

On the inflation issue, when Department of Defense—when they brought the 1995 future year defense program up—said they had a bump up in inflation, they put negative adjustments in, but we have not seen where they have made the decisions as to how they were going to account for that increase in inflation in terms of the programs. We don't know where that is. So I am not fully confident that we fully understand everything in the inflation issue or what programs were impacted.

When you understate the cost of programs and they increase, then you are not able to fund everything else in your program that you have. That is the issue that we have been wrestling with over the years since GAO has been looking at the future year defense program program.

We have gone through, and one of the questions that I was anticipating we might have this morning would be, GAO go back and look at the years you looked at the future year defense program and what has the mismatch been in relation to the total future year defense program program?

In the research we have, we went back to the fiscal year 1988 to 1992 program and the mismatch there was \$324 billion on a total program of \$1.8 trillion. The work that we did looking at the future year defense program, covering 1990 to 1994, was estimated to be about \$147 billion on a program of \$1.6 trillion. So the mismatch varies per year, and we have tried to sort out what have been the triggers that caused that over a period of time.

Mr. SISISKY. Was the mismatch higher in the 1980's than it is now, when we had the money?

Mr. HINTON. We had a higher program over the period, yes.

Mr. SISISKY. Yes, and we had the money. We have to manage better now and the Pentagon has to manage better now. It is pretty simple. When you have less money, you have to manage better those dollars.

Mr. HINTON. We are in a fiscally constrained environment now, it makes decisions that much more tough. And I think the more the committee can work with Department of Defense and try to understand the decisions, the priorities, will help a better understanding

of the mismatch and the steps you need to take to remedy that mismatch.

Mr. SISISKY. Let me get off that just a moment because I heard conversations here about the Bottom-Up Review, do we fight on two fronts at the same time; why do we need to do it? In my opinion, we are not prepared to do it. We might better not prepare to fight on one and something breaks out on two or three other fronts.

Mr. O'HANLON, you got a very aggressive thing here. I think you have had no operational military background, is that the case?

Mr. O'HANLON. That is correct.

Mr. SISISKY. Do you have in the Brookings Institution, someone that does the analysis? What you have said, and to people that have not read it, I think you ought to hear it, cut two Army divisions from 18 to 10, and now to 8; is that what you are talking about?

Mr. O'HANLON. Yes.

Mr. SISISKY. Cut 8 active Army divisions, and 2 Air Force tactical combat wings, a Marine expeditionary force, and cut from 12 carriers down to 8 carriers, and cut, roughly, 15 Reserve Army brigade equivalents from the military force structure.

I am going to tell you something, that is really doing something. Troops, aircraft carriers, and airplanes really answer emergency situations by being on station, in ports, not in CONUS, you cannot wait to travel in an emergency. But that is quite an aggressive thing. How much does it save?

Mr. O'HANLON. That is why I say it is about a 10-percent cut in forces and 10-percent cut in budget, once phased in. But it is less—

Mr. SISISKY. By whom?

Mr. O'HANLON. Other individuals.

Mr. SISISKY. That is pretty easy to say that.

Mr. O'HANLON. It does—I do accept the need to prepare for two crises at once, but I don't find it necessarily plausible that both would come out into major wars the likes of Desert Storm. I question that. It is not to say that it wouldn't be nice to have that in some sense, but I recognize the fiscal constraints, everyone else does as well, and there may be a more efficient way to handle these political problems. We can, obviously, debate this and your complaints are important to voice.

Mr. SISISKY. I will voice them, I will guarantee you that.

Mr. O'HANLON. I am sorry, I was—

Mr. SISISKY. I did have a question, but that is all right. My time is up.

The CHAIRMAN. I thank the gentleman.

We are operating under the 5-minute rule, but we might come back for the second round.

At this time, Mr. Saxton, the gentleman from New Jersey will be recognized.

Mr. SAXTON. Mr. Chairman, I have three questions that I will try to ask quickly so I can get them all three in.

Ms. Williams, in your testimony on page 6, you had a simplified version of it, in that you showed us blown up, the chart, you estimate a shortfall of \$8 billion from estimates—\$8 billion from esti-



mates of weapons systems cost growth. During your explanation, you also said that a worst case could be \$31 billion; is that correct?

Ms. WILLIAMS. Yes, sir.

Mr. SAXTON. I don't ask this question to be flip in any way, but what does that say in terms of accuracy and your ability to project these costs over this period of time. Isn't what you are doing less than accurate, in the sense that if we were to rely on these, we at least have to know it is difficult to do and that your estimating has got a lot of flexibility and those kinds of things? Go ahead.

Ms. WILLIAMS. Yes, sir. That is the reason I prefaced all of my remarks the way I did, that this is estimating, pure and simple, and we are never going to have a good answer until these costs actually develop.

Mr. SAXTON. It is very difficult to do. Another good example is why it is difficult is in the contingency operations where you estimate \$6 billion.

Ms. WILLIAMS. Absolutely.

Mr. SAXTON. We have heard testimony say these estimates will depend on our national and international policies.

Ms. WILLIAMS. Yes, sir.

Mr. SAXTON. So the \$6 could be \$12 billion, depending on what we do?

Ms. WILLIAMS. Yes, sir, it is going to depend on policy, it is going to depend on the costs as they unfold and what you actually decide to do about pay raises and what really happens with inflation.

Mr. SAXTON. Thank you.

Mr. O'Hanlon, I am a pretty positive guy, and I sat and listened to you and I tried to find somewhere where I could agree with you. I think I found a place, at least, about what you say about projecting force and our capability and mobility and ability to get where we need to get in a fast order of time. Specifically, do you advocate some increased expenditures on sealift and airlift?

Mr. O'HANLON. Yes, sir, in both categories, on the order of another division equivalent of fast sealift, and my concern with airlift has more to do with the rapidity of getting some, so we are in a fairly tough situation on airlift. So there, I focus on—we aggressively pursue this in the 1995–96 timeframe.

Mr. SAXTON. Thank you.

Do you have specific recommendations as to what kind of airplanes we ought to buy?

Mr. O'HANLON. This year, I advocate the C-17 request, as well as several nondevelopmental aircraft.

Mr. SAXTON. Thank you.

Mr. Augustine, your testimony with regard to procurement is really very valuable to us, because if you don't mind me saying so, you are one of the most respected individuals with regard to this subject, at least, that I know of. We as a committee need to look at the history of what we do as well as the future in terms of trying to make policy changes in procurement. A: Have you seen any improvement in the process?

My predecessor on the committee, Jim Courter, worked very, very hard to put some policies in place that would help. We are still today looking at, as John Kasich pointed out, one of my favorite projects, the C-17, but it is a very difficult situation and it still

exists in terms of the questions that we have to ask ourselves in terms of how we get better at putting these very complicated systems in place. So, A: Have you seen any improvement? B: What do we need to do as policymakers to improve the situation?

Mr. AUGUSTINE. I will be brief, because I know your time is short, but I think we have seen some improvement. The bill that was passed by the Congress last year, I think, is a step in the right direction. For example, reducing the specification levels, certainly, buying commercial products is one can-do that saves money for the Government wherever it can be done. But we have so far to go. What we have accomplished to date is very modest.

You say what could be, what should we do, I would be happy to help the committee in any way; I have thoughts on that subject. Let me cite just one thing: We sometimes are led off the path by our concern with the publicity of things, like excessively priced coffee pots and toilet seats and things like that. That is not where the money is lost. Where the significant sums are lost is due to turbulence, the constant change in the system.

We put together a program and laid it out for an 8-year period, and it takes us, we don't have the money, so we stretch it to 12, we don't have the money and we stretch it to 16 years, that is where huge sums of money are wasted. What we need, one of the great things that could be done would be a true 2-years' appropriation process. That would be the kind of thing that comes to mind.

Mr. SAXTON. Thank you, Mr. Chairman.

The CHAIRMAN. Now, we have Mr. Ortiz from Texas.

Mr. ORTIZ. Thank you, Mr. Chairman.

I have a question for the GAO witness, Mr. Hinton, you know as the Nation awaits this next coming BRAC Commission decision, your report states that Department of Defense has significantly understated the costs associated with the next round of base closures to begin this year. What are the implications of understating the costs in this area and what are the alternatives that we have? If you can—

Mr. HINTON. Mr. Ortiz, at the time we performed our work, the goal of Department of Defense for the fourth round for 1995 was scheduled to be, roughly, equivalent in size to all three of the previous base closure rounds. DOD has maintained publicly that the 1995 round is an important element in its plans to reduce infrastructure, the point Mr. Augustine brought up, to help reduce the infrastructure costs for future programs and operations.

When we looked at the FYDP, the Department of Defense allocated very little money for implementing the fourth round of the base closures. The data shows the first three rounds required a total cost of \$11 billion and up-front funding over the first 4 years. That is looking back on the last three rounds. With the 1995 FYDP, the Department of Defense allocated only about \$2.6 billion of up-front funding over just 3 years. They did not include any funds in the FYDP for the fourth year.

What that does—that leaves a shortfall of about \$8 billion. If we have understated the costs and the costs do materialize, then we will have to find money from other programs to pay for the base closures. That is the implication of it.



Mr. ORTIZ. How will the communities that will be shut down suffer when we have this money that is not there?

Mr. HINTON. Well, what it comes to is a matter of priorities and how the Department of Defense allocates its money. It is an allocation decision. If we are going to go through, and we are going to—and the Department of Defense is going to move to achieve the fourth round that will be the equivalent of the three earlier rounds—the Department of Defense is going to have to do more allocation of monies to base closures to fund those costs.

Mr. ORTIZ. So we will have a problem and we will have to dig someplace else to get money to help this for—

Mr. HINTON. On what we are operating on, it is a matter of priorities and it is a matter of allocation of dollars. If you reallocate, you have to look at where you are going to pull that money from. And you have got to sort through what are the risks of doing that.

Mr. ORTIZ. Now, what is a realistic estimate of annual base closure savings during the next 5 years when you look at that?

Mr. HINTON. At the time we did our 1994 report, the Department of Defense had estimated that the early rounds would achieve net savings of about \$5 billion, but they only completed 20 percent of the closure in the first couple of rounds, and that savings that had materialized at that time came up short, to the tune of about 23 percent of what they anticipated, so there you have a situation that at that point in time, savings had been overestimated and were not materializing as they were coming about.

Now, in the fourth round coming up, the 1995 round, that is going to be problematic when you look at the fact we don't have all the costs in there but in order to achieve the savings in the out years, probably beyond the 1995 FYDP period, we have to have the moneys in order to achieve the savings over the long haul and accomplish the reduction in the infrastructure which is very key here, I think.

Mr. ORTIZ. When you mentioned 20 percent that means that during the last base closure we have had, it is not complete yet.

Mr. HINTON. That is correct.

Mr. ORTIZ. They need more money to complete that plus the new closures that are coming about?

Mr. HINTON. Well, Department of Defense has the money to move forward on closing the bases that were announced in the earlier rounds. It is a lengthy period, Mr. Ortiz, in terms of the time period.

From the time that the decision is announced to close a base, the Department of Defense has 2 years to begin action and then the period once they begin generally takes about 6 years, and we would expect to be seeing the savings coming about with those closures toward the end of 6, 7, or 8 years.

Mr. ORTIZ. I would like to ask Ms. Williams now, what do you view as the most quantifiable significant impact on readiness of reduced operating TEMPO's and repair backlog and facility repair, and what impact does a funding shortfall, such as predicted, have on our ability to meet the requirements outlined by the Bottom-Up Review?

Ms. WILLIAMS. In terms of impact on readiness, I have to say CBO did a study of historical trends of measurable quantities. Last

year, quantities that are actually measured such as the C-ratings, TEMPO backlogs, looked at historical trends over the past several years, and did not find that, relative to historical trends, we were experiencing a measurable readiness shortfall yet. That is not to say that a shortfall wouldn't develop over the next several years and it is also not to say that anecdotes about readiness problems are not true. In other words, the C-ratings, and so forth, don't always capture the anecdotes, and when you look at them historically, you may not see things that are showing up in the anecdotes.

As far as the funding mismatch, part of our problem in trying to estimate what happened—what will happen, based on the administrations added funds and their subtracted programs, is we don't have good details yet on how the moneys would be spent. Our sense is that the administration plans to devote some of the \$8 billion that they are planning to save through their program cuts in the 6-year period, to improving readiness.

Now, how much would that cost? I put together a few figures on the costs of certain types of readiness improvements. One that people have brought up a lot is that there is a backlog in TEMPO maintenance, and if what we wanted to do was totally eliminate that backlog over a 5- or 6-year period, it looks like that might cost \$2 billion over the next 5 or 6 years.

Another one that people talk about, sometimes as a readiness problem, sometimes as a quality-of-life problem, is the real property maintenance backlog. There we didn't look at totally eliminating the backlog but we did look at bringing the backlog down to historical standards, to historical levels. That we thought might cost another \$2 billion total over the next 5 or 6 years.

There is another area that people talk about that you didn't mention, and that is what is happening in the Department of Defense supply system and, in fact, several years ago as the cold war ended, Congress passed legislation that restricts the Department of Defense from replacing items in the supply system over and above 65 percent of the inventory used by customers.

If the Congress decided that that legislation had passed its usefulness, because we were now essentially down to the levels that we would like to be at, and wanted to remove that legislation, the cost of that over a 5- or 6-year period might run \$2.5 billion.

I don't have a good sense, CBO has not done estimates of what it would take to increase OPTEMPO's over and above what we have today, or take account of the amount that OPTEMPO's are increased by the contingencies that our soldiers are asked to participate in. So—

Mr. ORTIZ. I know we have run out of time, but maybe later on you might be able to furnish us that information, if you do conduct that?

Ms. WILLIAMS. Yes, sir.

Mr. ORTIZ. Thank you, very much.

I thank the witness.

[The following information was submitted for the record:]

Question submitted for the Record by Congressman Ortiz:

Q: Please provide examples of steps the Congress could take to improve military readiness, along with an estimate of their costs.

A: Three illustrative steps that could improve military readiness include eliminating backlogs for depot maintenance, eliminating restrictions on the purchase of replacement inventories, and increasing funding for maintaining real property.

Increase Funding for Depot Maintenance. The Administration's 1996 budget request will leave DoD with a \$1.4 billion, or 17 percent, shortfall in depot maintenance relative to maintenance requirements set for 1996. By 1997, the shortfall would rise to \$1.6 billion. Such a shortfall is large by historical standards: between 1980 and 1993, for example, DoD funded 94 percent of its requirements on average. Assuming that DoD was to eliminate its backlog for depot maintenance gradually over a three-year period, additional funding of roughly \$540 million would be required in fiscal years 1996, 1997, and 1998.

Since depot maintenance is an investment in future readiness, this option could have a significant impact on DoD's ability to avoid a "hollow force." DoD has been able to maintain relatively high mission-capable rates for its equipment despite having backlogs at record levels. However, it is unclear how long it can continue to do so.

Alternatively, efforts to reduce the backlog more rapidly could conflict with DoD's goal of bringing the size of its depot infrastructure into line with the military's reduced force structure. In addition, some observers believe that DoD's estimates of its backlog may be overstated.

Eliminate Restrictions on Purchasing Replacement Inventories. The DoD supply system is a revolving fund that "sells" items to "consumers" within DoD and then relies on receipts from those sales rather than on direct appropriations to replace its inventory. Since 1991, however, the ability of the wholesale supply system to use receipts to purchase replacement inventory has been restricted by law. Current law limits the supply system to replacing no more than 65 percent of sales for many types of goods. Those restrictions were imposed in an effort to force DoD to manage its supply system more efficiently and to reduce what many observers believed were growing inventories of unneeded secondary items. Eliminating the current restriction, and thus incurring the cost of replacing a greater proportion of inventory, could cost roughly \$500 million annually.

Restricting inventory replacements may have been appropriate during years in which the force structure was declining rapidly (since demand for supplies was declining). As the size of the force structure and the demand for goods stabilizes, however, continued readiness will require that the supply system replace all of the inventory that it provides to customers. Keeping this restriction in place ultimately

could affect readiness in many ways, but especially by preventing the services from supporting their most modern systems. It is difficult to determine, however, whether the time has come to remove the restriction. Total supply system inventories remain high relative to the size of the force structure. Removing the restriction at this time might be taken as a signal that the Congress will no longer require the services to focus on reducing unneeded inventories.

Increase Funding for Real-Property Maintenance. The Administration's 1996 budget request calls for a \$1.1 billion, or 28 percent, increase in funding for maintenance of real property. Although that increase is a dramatic one, CBO's analyses suggest that such a large boost may be needed to preserve readiness over the long run.

When funding for operation and maintenance becomes tight, real property is one of the first areas to suffer. Funding for maintenance of real property began to fall in 1988. An increase in spending on real-property maintenance of 25 percent relative to the 1994 and 1995 levels would be needed to bring spending per square foot of buildings back to its historical average. Since DoD now estimates that there is more than a \$10 billion backlog of requirements for real-property maintenance that are not funded, some might argue that an even larger spending increase is required.

However, DoD's estimates of backlog reflect subjective judgments and may overstate the problem. Moreover, since maintenance of real property is less closely tied to military readiness than are expenditures on activities such as recruiting, training, and depot maintenance, any additional funding might be better spent on other programs.



The CHAIRMAN. Thank you.

Time is becoming a very important problem.

Mr. Torkildsen.

Mr. Talent.

Mr. Lewis.

Mr. LEWIS. No.

The CHAIRMAN. Mr. Watts.

Mr. Thornberry.

Mr. Hostettler.

Mr. Bateman.

Mr. BATEMAN. Bingo, Mr. Chairman.

I have listened with great interest to the panelists and to my colleagues on the committee, and sitting here contemplating new responsibilities as chairman of the Readiness Subcommittee it has all been extremely interesting. I am just going to make a few observations and invite any of the panel, time permitting, to comment.

First comment I think that needs to be made is I feel very disappointed in myself that I don't have a very good, certain way of measuring what the threat to our country's national security is. I am comforted by the fact that I don't know anyone else who does. I am totally convinced in my mind, however, that the threat goes down as long as we maintain an appropriate military capability. And I am concerned that perhaps we are not guarding that. I think that is a major flaw, Mr. O'Hanlon, in the analysis that you give us.

It overlooks the fact that the measure of threat to our interest goes up as we are less capable of responding to any challenges that may come to those interests at a large macro scale or a lesser scale.

The other thing I think you have to bear in mind—and as always, Mr. Augustine, you are always helpful in shaping our thinking and our priorities on this—you can't view readiness in terms of today or tomorrow. You have got to be concerned about if you do certain things today that over emphasize today's readiness, you are going to be sacrificing tomorrow's readiness and certainly that is something to be avoided.

We can't say let's fix the readiness problems that result from contingency operations draining money from readiness programs and activities, and do that in a panic by dragging money from procurement, quality of life, R&D, and other accounts. You've got to do it with some balance that protects, not just today's concerns, but future concerns.

In reference to the acquisition process, I have sat on one side of this committee and I have never had a session of Congress in which someone didn't point out we could save billions of dollars by improvements in the acquisition process. And I don't now, and never have challenged that, but I think I am perfectly safe and confident in saying that over that period of time, we have never achieved those theoretical savings and improvements in the acquisition process.

I have even seen the phenomenon that starting last year, we began to reduce some of the very dumb things we had been doing in prior years that was supposed to improve the acquisition process but which actually made it more expensive and worse for people to operate.



I see the red light is on, but I do want to thank all of the witnesses for their testimony. Again, you have helped us to shape and guide the course of our deliberations over a very difficult year, in which we have got to operate on what is the best defense authorization bill this committee can produce in a very, very challenging time.

The CHAIRMAN. Thank you, Mr. Bateman.

The gentleman from Tennessee, Mr. Tanner.

Mr. TANNER. Thank you very much, Mr. Chairman.

I want to thank the panel for being here and I think it has been a productive morning.

I know Mr. Augustine is on a tight time schedule and I want to follow up, if I may, on something Mr. Bateman alluded to, that is acquisition reform.

This is my seventh year in the Congress, and we have been working on that, and I guess it has been around since I got here. As Mr. Bateman suggested, although there were some changes made last year, we somehow failed to see that endeavor coming back, and I would be very interested in your observations on that, if I may, when I get through.

One other thing in general for the panel, in the CBO papers that we have on page 13, they listed 3 or 4 options about how to reduce the shortfall: one was increase defense spending; flying, of course, in the face of our goal of some sort of balanced budget amendment that is being talked about around here, and the fact that it would be difficult probably to get that idea through the critical mass of support to meaningfully do that. I would like your idea about that option.

And limiting the Department's responsibilities. Again, if some of these responsibilities are reduced, State, EPA, or someone else would have to pick them up, again, giving us a problem with the balanced budget approach as we try to look throughout the Government for places to save money.

Reduce the cost of doing business was the third option. We have talked about that and how we strive to do that time and time again. Somehow we don't realize in a tangible way the effort put forth there.

And fourth, they suggest reducing our military capability. That probably is the least attractive option to the American people, I think, and certainly to this committee, in view of the fact that the world is so unstable and it certainly, when you see what is happening even just in Russia, there is no way we can really predict where that one is going to go. So their solutions, you can find fault with all of them or a combination of them, but I really would appreciate the panelists addressing a combination of those, maybe of what they would say in general to respond to those. But first, if I might ask you, Mr. Augustine to comment on this?

Mr. AUGUSTINE. Thank you very much, Mr. Tanner. I would like to make three remarks in response.

With respect to acquisition reform, the Congress did take a first step this last year. Right now, what the Congress did is being put into implementing regulations within the Pentagon and the devil is in the details. It would be well for the Congress to be very mind-

ful that the implementing regulations don't undermine what the Congress tried to do in the first place.

Mr. TANNER. That is true.

Mr. AUGUSTINE. Second, with respect to the requirements for our forces and the notion we might be called on to fight two wars at one time, I would like to make the point that those, that can't be treated as two random or independent events.

Once the first war occurs, and we have seen that can occur, the second one immediately becomes more likely. If we are tied down in the Persian Gulf, North Korea immediately becomes a more likely conflict, because whoever was waiting for the opportunity may take that opportunity.

In the same relationship, there was some discussion this morning about the need of forces to deter. I would like to say that the forces to deter are the same forces that you need to carry out that deterrence, so you can't separate deterrence forces from real forces because, if you do, it means you are bluffing. Once you bluff and get called, you lose your credibility and the next time you say you really mean it, you won't be believed. So I think America can never be in a position where we are not capable of carrying out the deterrence that we claim we can maintain.

Last, with regard to procurement, modernization, we have talked a good deal about readiness. I would like to cite the results of a little study I did myself recently, where I added up the total asset value of everything the Department of Defense owns except land and buildings. If you calculate that number, I did it only roughly, because I don't have access to the best data, but I am sure it was close, you divide that by current reinvestment in equipment like you would evaluate a business, we are now on a 54-year replacement cycle for military hardware.

I would submit that with today's technology that is a cycle that is hazardous for us. It brings me back to the need to maintain readiness and modernization, and as important as readiness is, and it is critically important, we cannot neglect modernization.

Thank you.

Mr. TANNER. Yes.

Mr. O'HANLON. Just a few comments, Congressman.

I agree with Mr. Augustine's point. The point I would make in response, however, is that a small—a relatively small land force deployed together with 8 to 10 combat wings equipped with the modern targeting and precision munition technologies that we have, can do the job of fighting a war as well as deterring it. It is precisely because they can fight that war so that it should deter.

My emphasis is getting there before you have to. The stopping of the invasion is easier than reversing it, as we saw proven in the desert in 1990, when the first goal was to prevent a further Iraqi encroachment into the Saudi Arabian area, and second, we more than doubled the force in order to retake Kuwait.

Another point I would make is that I think there are two lessons from the cold war we should bear in mind. One certainly is the importance of maintaining a strong military. I favor that and I, in fact, am looking for ways to improve our responsiveness in my alternatives.

Another lesson is that it is largely the creating of a community of like-minded nations that is our best long-term assurance of security. And this process is often reinforced through a U.S. economy that is healthy as possible. So there is a benefit in foreign policy to a smaller deficit and the growing economy.

I think it is largely the economic underpinning of the OECD that produced the victory in the cold war, and we shouldn't forget that as we talk about military budget levels either.

Mr. TANNER. Yes.

Mr. HINTON. Mr. Tanner, I would offer on two of these, you mentioned limiting the defense responsibilities. As I mentioned in response to a question of Mr. Kasich, that GAO is going through the FYDP right now, through the categories to identify the costs that the Department of Defense is incurring now in peacekeeping, environmental, and all the other things, so we can bring that information to the committee to help the policymakers decide in terms of what roles and responsibilities are up there.

Second, and no question we do believe we can, there are opportunities to reduce the cost of doing business. Mr. Augustine has mentioned the efforts in acquisition reform and what we see as the leadership at the Department of Defense, we see a commitment, we see a lot of initiatives under way, some that have been under way, some just recently put forth, from GAO's point of view, it is a little too early yet to make assessments of how well they are progressing. But we will keep the committee informed as we go through and work with the committee, to provide that information as to the success we have in going through that process.

Mr. TANNER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Tanner.

Before we—we have a vote on and we will break for that, but before we go any further, I would like to at least make the comment, that so far we have been focusing this on the so-called shortfall or mismatch from the administration's own defense plan.

I would like just to suggest that some of us have a problem with that plan. That plan still contains about 80 percent of the cuts he envisions over the next 4 or 5 years. The plan doesn't provide for modernization, which is very important, especially in this new age of technology that we are experiencing. The plan doesn't provide for solving the readiness problems that we already have cropping up more and more all the time.

The plan has an inadequate force to deal with the foreseeable threats that I think we have in this country. And the plan doesn't provide for a very important thing that is on the minds of a lot of people, and that is missile defense for this country. Not only national missile defense, but a theater missile defense plan which is very important in the new world in which we are living right now. So I would like to throw that in before we go any further.

With that, I would like to recognize Mr. Talent who has been out of the room but he returned.

Mr. TALENT. Thank you, Mr. Chairman.

And it is timely that you recognized me after those comments, because I wanted to make a few comments and then ask a question of the panel, and they are in league with what you were saying.



I want to know, first of all, if I understood all your opening statements, you all represent varying degrees of viewpoints, agree we are not funding the Bottom-Up Review. I think the smallest figure was Mr. O'Hanlon's at \$20 billion, he concluded. And so I just think it is important that there now appears to be consensus in this panel, and I hope on this committee, that we have not been funding the Bottom-Up Review.

A lot of us have been saying that the last couple years, and I feel like sometimes the person who was trying to push down the Great Wall of China and one morning you wake to find out that the wind blew it down overnight, so it seems to be the consensus that many of us have tried to make the point on for many years.

Second, I would like to associate myself with parts of both Mr. Skelton's and Mr. Dellums' comments. With regard to Mr. Dellums', he has been wanting a review of this whole issue of whether the national military strategy is appropriate—to fight two wars at the same time. I think we are overdue for that, and I am glad we are getting into that now.

Also, with Mr. Skelton's point of view, which he and I discussed on many occasions, and here I have to disagree with my colleague, the distinguished gentleman from California—he thinks the Bottom-Up Review force structure may be too much. I think it is too little. I think this is a point the chairman was making before.

Along those lines, let me ask you this question; is it not true, as I understand, the Bottom-Up Review force structure does not count, was not structured on the assumption that we would be doing peacekeeping? It was basically the force structure necessary to fight two regional contingencies at the same time without really taking into account the peacekeeping needs of the Armed Services and, also, without taking into account that we seem to be at a higher level of OPTEMPO than we were before Desert Storm, and this does not seem to be changing.

Mr. Skelton had a number of excellent hearings on this in the last 2 years showing the effects of this on the ability of the Army in particular, to respond, because for every soldier you have on peacekeeping, you need two or three more behind the lines in support.

If you all would discuss briefly—is the Bottom-Up Review force structure adequate in view of the recognized and demonstrated need to engage in peacekeeping, which was not taken into account at the time that force structure was developed?

Mr. O'HANLON. Shall I begin?

Mr. TANNER. Sure.

Mr. O'HANLON. Just a couple quick points. I believe there is adequate force to do peacekeeping if we are not involved in two simultaneous wars, or perhaps, if we are not involved in a major war in general. As you know, the plan in the Bottom-Up Review is to take the force from peacekeeping and put it into regional conflict, if necessary; in that sense, they solved part of the problem, I believe.

Mr. TANNER. Except it is very—you can't just one day have them in the Sinai doing peacekeeping and then pull them out. In fact, the testimony we had in Mr. Skelton's subcommittee last year is you might as well not count those soldiers for regional contin-

gencies because it is so difficult to replace them with allies or retrain them.

Mr. O'HANLON. Your point is well taken, there will be logistical challenges as well. What we recognize is that many peacekeeping operations are less important than others, and you would be willing to withdraw your forces if you had too many contingencies. That doesn't solve all the logistical problems. As is our point on OPTEMPO, this is our point, we can do these operations, but we tire the troops, that is why it would be well to reconsider our forward presence.

If you are involved in enforcing an embargo in the Adriatic or waiting to back up U.N. forces in Somalia, do you need the Marine expeditionary force, do you need the carrier force that you are maintaining in that presence? I think you have to consider presence in a different way and you have to be able to have that flexibility and change your operations if you are going to try to do these different things. If you are not willing to change, I think you are right, you do need a bigger force structure.

Mr. TANNER. Would anyone else care to comment. I know you are not really—this is not what your testimony was directed to.

Ms. WILLIAMS. My understanding of what is in the Bottom-Up Review is what Mr. O'Hanlon said.

Mr. AUGUSTINE. I would comment, in my experience, the Department of Defense budget is put together to maintain a military capability of men, women, and equipment, and in a state of readiness, much as one would have a fire department to deal with the normal course of day-to-day fires, but if there is a major earthquake or outbreak of fires, you have to provide—that is not budgeted in the defense budget. When that occurs, either one has to drop down on the defense—other things in the defense area to pay for it—or add incremental funding.

Mr. HINTON. We would share that view, also.

Mr. DELLUMS. Would the gentleman yield?

Mr. TALENT. I would be happy to yield, maybe we should do it after the vote.

Mr. DELLUMS. I would like to make a quick comment to Mr. Augustine. My point is, if you accept the assumption that underlies the question of Mr. Tanner—that it will indeed be difficult to increase the budget in a limited-dollar environment—my point is that if your concern is modernization, you risk modernization by continuing to fund a force structure that is too large and inappropriately sized.

I think the point Mr. O'Hanlon was making is that it is not the Desert Storm model that ought to be the building blocks for force structure, but rather Desert Shield, to address the difficulties in the future, and that leads to a much different budget configuration.

Mr. TALENT. If the gentleman would yield back?

This, I agree, we should investigate this thoroughly. We can make the argument based on the hearings in the subcommittee last year and, in fact, it may be just as demanding to try and maintain forces for this kind of operation, if you look at it in the long run, not demanding in a different way but just as demanding. I couldn't agree more; we need to get into these subjects, that is why I appreciate the chairman holding these hearings so early.



The CHAIRMAN. Thank you. I think we'd better recess for this vote.

Mr. BROWDER. Mr. Chairman, if I could have a moment?

The CHAIRMAN. Let me announce that we intend to proceed until 1 o'clock, because the witnesses have other commitments they have to make. Of course, any member who doesn't have an opportunity to ask a question before 1 o'clock, can submit it for the record, and I would encourage our witnesses to respond to those questions.

The CHAIRMAN. Mr. Browder.

Mr. BROWDER. Mr. Chairman, just a quick question. There has been talk about recalculating the CPI. Have any of you looked at whether that would have any impact on the shortfall or is anybody looking at that? I don't expect a long discussion of it but is anybody looking at that?

Ms. WILLIAMS. CBO has not looked at that yet.

Mr. AUGUSTINE. No.

Mr. BROWDER. Thank you, Mr. Chairman.

The CHAIRMAN. We will recess until the vote is over.

[Recess.]

The CHAIRMAN. The committee will reconvene.

We will begin the questioning with Mr. Underwood.

Mr. UNDERWOOD. Thank you, Mr. Chairman.

I thought during my first term that I would never get to say anything original because I was so far down the line, and I find that is also true during my second term. Every point that could conceivably have been made has already been made.

I would like to venture my own sentiments on some of the issues raised. It seems clear the discussion over the shortfall and the mismatch is only meaningful if you take the BUR seriously and its assumptions, and that is why I find the presentation of Mr. O'Hanlon useful, and also the comments of Mr. Dellums as well, in order to make sure that we are all starting off talking about the same assumptions.

So I would very much be interested, and very interested in the presentation by Mr. O'Hanlon, as well as the others, and the discussion over the lessons of Desert Storm and Desert Shield. I also assumed that one of the things that you try to learn from an experience with war is that you make every effort not to refight that same war, and it seems like the assumptions and some of the lessons learned from Desert Storm are now we are going to fight two Desert Storms rather than figure out what were the lessons of Desert Shield which could preempt the necessity of doing that. That seems to be the bottom line on most of these issues.

I am also—would like comments from the GAO and CBO on this mismatch, the shortfall, which apparently based on the data that has been presented to the committee in the past, has been even more—has been larger in the past, more significant under previous FYDP's, and in your estimation, is this current shortfall as serious as that that existed in the past and how was that dealt with?

Mr. HINTON. Mr. Underwood, I mentioned the numbers earlier in terms of the mismatch. They were greater. In the 1988 program, they were greater. They are about the same in the 1990 program as they are today, but in the two earlier FYDP's that I mentioned, there was a larger program.

But in terms of seriousness, I think that the FYDP from where we would sit, it is a program issue that we would characterize as there is overprogramming, more programs than available dollars. When you look at what was actually funded in earlier FYDP's, you will see in the 1988 program, that about \$350 million of the program was not funded, and in the 1990 FYDP's, about \$225 million was not funded. That confirms that there have been more programs than dollars when you go back and look at the moneys appropriated.

With the \$150 million, we feel reasonably sure—we feel comfortable, GAO is very comfortable with that number, that we think it is there. We have looked at the program over the years, we have a good historical perspective of it, and I think what is clear with CBO, and us, and others, is there is a mismatch—there is some differences on the degree—but some of it can be explained by the methodologies we have each employed on it.

Mr. UNDERWOOD. Yes.

Ms. WILLIAMS. CBO doesn't have a history like GAO does, of conducting these sorts of estimates. The one that we conducted in the past was in regard to the base force plan that was developed by President Bush, and in that estimate, we found that there was probably a mismatch on the order of tens of billions of dollars, but we didn't try to pin it down finer than that. We haven't looked at any historical ones in the way the GAO has.

Mr. UNDERWOOD. I am also very interested in the issue of the nontraditional programs. I am very concerned that there is some, perhaps—I know it has been clarified already, and the assumption has been made that even though these so-called nonoperational programs and activities listed under the Department of Defense, that these are, in effect, responsibilities that are ongoing and whether or not they are funded at the Department of Defense, they would in all likelihood have to be funded elsewhere, so they do not save any money per se.

I would like to stress very much that I think that these are not, perhaps, programs in the sense that you have outlined, but that they are continuing responsibilities and that they would have to be met in one way or another. I am very interested to find out why some members are so eager to move these responsibilities out of the Department of Defense budgeting under some budget deficit plan when, in fact, they are responsibilities that will have to be met.

I see them in the same way that a lot of people see unfunded mandates. I think they are—without taking direct action—they are liabilities, unfunded liabilities that will continue in the future and may actually cost us more in the long run.

Does that kind of assumption resonate with you, both GAO and CBO?

Ms. WILLIAMS. CBO has looked at telephone lists CRS put together about nontraditional programs. One thing we found was that a lot of it—the programs labeled as nontraditional had been going on for years before they were called what they are now called.

So, for example, in the defense conversion and dual-use technology area, where CRS found \$3½ billion of spending in 1995, in

fact, about \$1 billion of that money is going to programs that have existed long before there was ever a dual-use category, and basically, it looks as though people jumped on the dual-use bandwagon when they thought it would be a good way to keep their programming surviving in tight budget years.

The environmental cleanup is another area. That is where costs have grown quite a bit over recent years, and that is why you see as much attention as you do to it. Obviously, if you desire to do the level of cleanup that is in the Department of Defense budget right now, if you think that cleanup is really going to have to be done, then it is going to have to be paid for one way or another, perhaps, out of other discretionary programs.

I think the point of view that opponents of spending these moneys in the defense budget take is that if you get the moneys out of the defense budget, then they won't be—the environmental cleanup programs won't be somehow as popular as they are, and funding for them will decline.

Mr. UNDERWOOD. Yes.

Mr. HINTON. Mr. Underwood, I believe Ms. Williams has characterized it the same way.

Mr. UNDERWOOD. I venture to say, they would be more popular than ever.

Thank you.

The CHAIRMAN. The gentleman from California, Mr. Hunter, the chairman of our Procurement Subcommittee.

Mr. HUNTER. Thank you, Mr. Chairman.

And Ms. Williams and gentlemen, thank you for appearing. It has been very enlightening. I appreciated listening to your comments and the comments of my colleagues.

Let me ask you about the funding plan—before we do that—one question, Ms. Williams and Mr. Hinton. You—there is this major discrepancy we talked about between your projections or shortfalls. Ms. Williams, when you explained that, you said that you thought some of the problems was that CBO looked at so-called at-risk systems in projecting your increase estimates, weapons cost growth.

Ms. WILLIAMS. Yes, sir.

Mr. HUNTER. GAO looked at established systems. I don't quite understand how that drove the—are you saying that to some degree your estimate was incomplete?

Ms. WILLIAMS. No, sir.

Mr. HUNTER. Or simply a different way of looking at it?

Ms. WILLIAMS. It was a different way of looking at things. The CBO estimate is based on systems that are in the development cycle or early in the procurement cycle. We don't expect that there will be significant cost growth on systems that are what we call mature, meaning things like the Blackhawk helicopters—

Mr. HUNTER. I understand, but you looked at what systems, things early in the cycle?

Ms. WILLIAMS. Exactly. Early in the cycle, and we excluded the ones late in the cycle, that they would not experience significant additional unexpected cost growth.

Mr. HUNTER. Could you comment on that, Mr. Hinton? Why did you take your approach?

Do you agree with that, first, you looked at mature systems, CBO looked at at-risk systems or systems that were not stabilized?

Mr. HINTON. We looked at all the systems in the development, in all the stages, Mr. Hunter.

Mr. HUNTER. You did make your assessment based on the array of status of the systems?

Mr. HINTON. Yes, sir. We did. We included them all.

Mr. HUNTER. Understanding that, now, that you have told us the difference between yours and Mr. Hinton's analysis, don't you agree that his would appear to be more comprehensive? In other words, you took a small piece of the pie and projected it. He looked at the whole pie, and didn't; therefore, I have to rely on a piecemeal projection.

Ms. WILLIAMS. No, sir.

Mr. HUNTER. He looked at mature and immature systems, you looked at immature systems.

Ms. WILLIAMS. I would say that CBO believes our estimate is more precise in the sense that it includes—it expects cost growth only for those weapons systems that traditionally have shown cost growth. In other words, the mature systems, which Mr. Hinton includes in addition to the immature systems, one has not historically seen a lot of cost growth once the system was in that mature stage.

Mr. HUNTER. Mr. Hinton, why did you think you needed to look at mature systems, and where did you find the growth there?

Mr. HINTON. I mentioned, Mr. Hunter, we looked at all the systems, including mature systems, because when you have changes in quantities, you have cost changes in those. So we looked at everything, but we also looked at all the systems over the last 25 years to take a historical perspective of what had been the causes for cost growth.

Mr. HUNTER. Stretch-outs.

Mr. HINTON. Yes. Engineering changes, quantity changes. Everything. And we came up with a conservative estimate of about 20 percent that would apply to all the systems that were in the procurement pipeline and in development, and came up with a tune of about \$58 billion that we felt had the potential for understated cost.

Mr. HUNTER. OK.

Now, I am presuming that one reason you found cost increases in these mature systems is because you looked at the glide slope of procurement spending, which is 40 percent of what it was 20 years ago, and you saw the systems coming through at a robust rate through the construction period are going to be stretched out, and historically, that has driven cost increases; is that accurate?

Mr. HINTON. Yes.

Mr. HUNTER. Ms. Williams, why don't you agree with that? As we looked at the Comanche helicopter briefing, we are moving out 4 or 5 years beyond initial operating date and fewer systems. That cause cost of mature systems is happening because of dollars. Why don't you agree with the proposition that stretch-out drives up costs and, therefore, Mr. Hinton's analysis was more correct?

Ms. WILLIAMS. What we did was look at individual programs. We went back to their selected acquisition reports, we looked at the



amounts that were divulged to Congress, and we tried to get the closest estimate we could, system by system, to the amount of cost growth that might still be seen.

Mr. HUNTER. Could I ask you a question?

Ms. WILLIAMS. Yes.

Mr. HUNTER. Could you go back and take the hypothesis—excuse me, Mr. Chairman, I know I am going over my time, and I know you have other folks, and I have questions I want to talk to you about after the hearing is over—but can you go back and take the rationale Mr. Hinton has made and send us a little analysis of how you respond to that and whether some of that may not be correct and an adjustment may be in order?

Ms. WILLIAMS. Yes, sir. But I don't think we will find that.

[The following information was submitted for the record:]

The General Accounting Office supports its estimate on the grounds that it has observed program cost increases on the order of 20 percent to 40 percent for many weapon systems. That range reflects cost growth over the entire development and production cycle of a weapon system, including engineering changes that affect its technical capabilities, changes in the number of items the Department of Defense (DoD) expects to procure, and program stretch-outs. But strictly speaking, that exercise is somewhat different from measuring the degree of mismatch, or "overprogramming," in the Administration's plan.

The Congressional Budget Office (CBO) agrees with the observation that engineering and quantity changes affect the ultimate cost of weapon systems. A vast empirical literature supports that statement. However, the goal of CBO's analysis was to quantify the magnitude of mismatch between the Administration's 1995 Future Years Defense Program (FYDP) and planned levels of defense spending. For that reason, we assumed that the weapon systems under development would proceed at the schedule outlined in the FYDP and that the planned number of units would be purchased.

If the Administration's procurement plans do change because of engineering changes, quantity, changes, stretch-outs, and the like, it does not follow that procurement costs would be higher over the next five years. Although unit costs certainly rise when DoD stretches out the procurement of weapon systems, those stretch-outs may also result in lower research, development, test, and evaluation (RDT&E) and procurement spending in any five five-yr period. Indeed, the Administration and the Congress have often stretch out procurement schedules in recent years in order to lower overall spending.

Mr. HUNTER. I will submit other questions for the record if I could, Mr. Chairman.

The CHAIRMAN. Fine.

[The following questions and answers were submitted for the record:]



Q: Using your figures, the Department's recent actions are expected to produce \$16 billion to place against the identified FY 1996-1999 funding shortfall--\$10 billion from the President's announced intention to add \$25 billion between FY 1996 and FY 2001 and \$6 billion from cuts to various weapons programs. However, your report also states that the extra costs resulting from pay raises and locality adjustments prescribed by current law alone will exceed this amount by \$7 billion for a total \$23 billion for this four-year period.

- Even if the Department were able to come up with the remaining \$7 billion difference to fully cover the estimated costs of pay and locality adjustments, there would be no money left over to accomplish the various objectives outlined by the President's recent announcement--to reduce operating tempos, depot and facility repair backlogs and munitions requirements. How much extra do you estimate would be needed for these purposes?

A: Between \$10 billion and \$11 billion of the \$25 billion increase in defense funding that the President announced last December would occur during the 1996-1999 period. Administration officials have said that the increase will be used to fund higher military pay raises and quality-of-life programs for service members. DoD's other initiatives--cuts in weapons programs and the 1995 supplemental appropriation request--would provide about another \$8 billion. The Administration has suggested that it may reduce maintenance backlogs and increase funding for training, operating tempo, and munitions with those additional funds.

Using CBO estimates, a \$47 billion mismatch may still exist between plans and resources over the 1995-1999 period, even after the Administration's planned increases in defense funding. Potential shortfalls could result from higher-than-anticipated costs resulting from civilian pay raises, future inflation, the 1995 round of base realignments and closures, rising costs for weapon systems, and future contingency operations. Any actions to improve military readiness would be over and above the programs included in last year's defense plan. In other words, if DoD put some or all of the \$8 billion toward improvements in readiness (such as reducing backlogs for depot maintenance), it might still have to deal with the unfunded costs of civilian pay, inflation, cost growth of weapons, the 1995 round of base realignments and closures, and contingency operations.

CBO has not estimated the costs of increasing operating tempos, but estimates are available for eliminating backlogs for depot maintenance. In its 1996 budget submission, DoD reported a \$1.4 billion, or 17 percent, shortfall in depot maintenance funding relative to requirements. Assuming that DoD was to eliminate its backlog for depot maintenance gradually over a three-year period, additional funding of roughly \$540 million would be required in fiscal years 1996, 1997, and 1998.

The Administration's 1996 budget request calls for a \$1.1 billion, or 28 percent, increase in funding for maintenance of real property. Even with that boost, DoD now estimates that there is more than a \$10 billion backlog of unfunded requirements for maintenance of real property. In light of those backlogs, some analysts might argue that even more funding is needed. Others contend, however, that until bases and facilities have been selected for the next round of realignments and closures, funding might be more wisely spent on other DoD programs--particularly those more closely linked to military readiness.

CBO has not estimated the cost of filling ammunition requirements. If, however, the Army was to increase spending levels for ammunition to those specified in the budget prepared (but never officially submitted) by then Secretary of Defense Cheney in early 1993, CBO estimates that it would cost a total of \$300 million over the next two years.

Q: The President's recent defense funding increase plan includes a commitment to add \$6 billion to the FY 2000 procurement budget and \$9 billion to the FY 2001 procurement budget--a 1 percent real growth increase in these accounts.

- In your opinion, how far will these figures go in meeting the modernization needs resulting from the "procurement holiday" of the 1990s--a requirement that you have estimated will, on average, amount to \$7 billion to \$31 billion (in FY 1995 dollars) per year over a ten-year period?
- To make the proper comparison, what would be your estimate for the required increases to procurement funding required for this period if the figures are adjusted for inflation?

A: As your question implies, CBO made two different estimates of long-term DoD costs for the 2000-2010 period. The basic difference is that one approach does not factor in unexpected growth in costs for weapons, and the other does. All of our estimates refer to the total DoD budget, not simply that for procurement, although it is true that spending for modernization accounts for much of the increase CBO projects.

The lower of those two estimates averaged \$7 billion more (in fiscal year 1995 dollars) than the fiscal year 1999 DoD budget estimate. The recent additions made by the President for fiscal years 2000 and 2001 would easily accommodate the increases CBO projected for its lower estimate, which are quite small in the first few years of the decade and larger later. Under that approach, CBO projects DoD costs (in future years' dollars) of \$264 billion in 2000 and \$271 billion in 2001, well within the revised Administration projections of \$267 billion and \$277 billion, respectively.

The budget increases would not be sufficient, however, to cover the cost increases projected by CBO if unanticipated cost growth is factored into the estimates. Using that approach, CBO estimates that DoD's costs for the Bottom-Up Review force could increase to \$284 billion in fiscal year 2000 and \$294 billion in 2001 (both of which are about \$17 billion more than the Administration's revised plan for that year).

The CHAIRMAN. The gentleman from Mississippi, Mr. Taylor.

Mr. TAYLOR. I would like to direct this to Mr. Augustine, Mr. Chairman.

I am in agreement with you on your six points, and I will take it from there. I follow shipbuilding closely, and I have noticed a great irony of the Reagan years is with our Big Six shipbuilders for the defense industry. We went on Government work and the Department of Defense work, to total dependence on the Government for their paychecks, even though Reagan was talking about getting people off the Government dole.

What I would like to ask you, again, I am in agreement with all six of your points, but I felt there should have been a seventh point that is missing—why do not the defense-related industries come to this chamber, since we know there is a static defense budget, at best, and a declining defense budget, at worst, and with some sort of a program to help you get, develop a marketing mix of some private sector goods so you can keep your plants, and your people, and your supplier base active during this period, when we don't have a great defense need, so that it will be there when we do have a defense need.

I don't know if you read Stephen Ambrose's "Rise to Globalism," where it contrasts America today with 60 years ago, when we had a huge industrial base and a very small army, to where we have a huge Department of Defense now and a very small industrial base, where we are down to one supplier of many of our major weapons systems. Why is there such a reluctance on the part of defense contractors to try to do something like that?

Mr. AUGUSTINE. I think the answer is that—I will speak for myself—we abused our own responsibilities, to find the means of converting to the commercial world.

Mr. TAYLOR. You really don't, though. I will use the shipbuilding; I went to a major engine manufacturer last week. The only ships' engines he is making are for the Department of Defense. He does have private sector goods other than that.

The propeller manufacturers, the big ones, their only customer is the Department of Defense. The biggest employer in South Mississippi; its only customer is the Department of Defense.

I really don't see any effort or even them coming to us and saying, can you help us with this, can you help us with a loan guarantee to modernize our plants so we can make other things, can you help us with a loan guarantee to market our products?

Why the reluctance? We just have to face reality that the budget is not going to grow the way it did in the 1980's?

Mr. AUGUSTINE. Let me give an example where a number of people did devote a good deal of effort, I was involved myself, and that has to do with the shifting, relative shifting of work into Government facilities away from the private sector. As you know, the Congress has passed a law that says that at least 60 percent of the rebuild work will be done within the Government facilities; the other 40 percent you can compete between the Government and private sector—incidentally, where the Government is the judge.

We have sought to get that ruling, that limit removed. That would help a lot in terms of putting additional work into the private sector. It also strikes me as strange, when almost every other



country in the world today is trying to take things out of Government and put it in the private sector, we have a law that says how many you have to put in the Government. So that is the kind of thing we have addressed to make a bigger market available.

I should add, out of balance here, that there are important reasons why some work is best done in Government facilities, but it is a relatively narrow, special kind of work, and that is the sort of thing that hurt the shipyards so badly.

Mr. TAYLOR. Well, I am going to disagree with you on that one, because—I don't even have them in my district—but most of the repairs are for Department of Defense facilities. That is not where the market is, it is in new construction; the Japanese build 330 ships a year, we are building none, zero.

There has got to be other things. I had this conversation with the folks at McDonnell-Douglas when they came by and made a pitch for the C-17. Why do I fly up here every week on Fokker-100's or MD-80's or a new version of it? Why are they not taking a more active interest in commercial work if they are broke on defense work? It has to apply to every single defense contractor, I am sure.

I am just curious, since you have done both, what can we do to maintain some sort of industrial base, because we are going to need it down the line. I hope it is not tomorrow, I hope it is not in a decade, but we are going to need it down the line, and we are losing it.

Mr. AUGUSTINE. I think the best I can say is there is a great reluctance for most companies to ask for the Government for support because we resent that when our competitors in other countries do that. In other words, for example, when the French Government underpins a company that competes with us, that is anathema to most of us, so we are reluctant to ask. At the same time, you are very correct there are a lot of things our Government can do to make American business more competitive, things like controlling regulations and controlling taxes, and so on.

Mr. TAYLOR. To the best of my knowledge, no one from the defense industry has ever come to us with any sort of blueprint saying: These are the things we need. What is it going to take to get them to do that?

Mr. AUGUSTINE. I would very respectfully—

Mr. TAYLOR. You came with a six-point plan which you need just for the Department of Defense work, but there ain't enough Department of Defense work to keep all of you all around. But we need to keep you around.

Mr. AUGUSTINE. We are acutely aware of that. The question is, can a company that spent its life in defense work, convert to commercial work rapidly and effectively? And it has been most of our experience that that just doesn't work, that one can move into closely related commercial areas over a long period of time, but throwing money at the problem, the markets are so different, the requirements so different that it is just very hard for defense companies to convert.

Mr. TAYLOR. But the alternative, then, is that you go out of business.

Mr. AUGUSTINE. True.



Mr. TAYLOR. Fifteen years from now, this committee is deciding not how many destroyers to put into the budget but which country we buy our destroyers from, which country we buy submarines from, which country we buy our airplanes from. That is a horrible situation. Then we become a Third World nation.

Mr. AUGUSTINE. Which is—you point to exactly the reason why I cited why one has to consider the maintenance of the defense industrial base, just as you consider how we maintain an Army, Navy, Air Force and Marine Corps that is ready. It seems to me that is part of the planning process. In so doing, I think the question is how to decide what one wants to spend to help maintain that industrial base.

Mr. TAYLOR. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

We have one other person who wants to ask questions, and you are supposed to be out of here by 1 o'clock, can you lady and gentlemen stay for this?

Mr. SKELTON. Mr. Chairman, could I interrupt, and when the bells rang, I was going to ask Mr. Talent a question. And for the edification of the panel concerning the Bottom-Up Review, Mr. Chairman, I was going to point out, according to my recollection, the number of peacekeepers at the time the Bottom-Up Review was done was 24,000, you may want to doublecheck that. But as we speak today on peacekeeping duty, there are 49,605. That is inflated by 2,000, because of the change of divisions down in Haiti. So you can honestly say there are 47,605 peacekeepers today, as opposed to my recollection of 24,000. I think, the folks should understand that when they rework the figures.

The CHAIRMAN. Thank you for that contribution.

Mr. Cunningham of California.

Mr. CUNNINGHAM. Thank you, Mr. Chairman.

First of all, I would like to thank the panelists and I, like you, I have a lot of pent-up emotions stretching back from Vietnam, on bean counters and politicians, and in both instances, I think they get a lot of us killed because they don't understand what the needs of the operators are. I don't want you to take any of this personally, because those arrows are pointed at politicians as well, and we are all not infallible.

I start off with a December 1994 quote by former Secretary of Defense Les Aspin:

The bottom line where we are on defense, well, there are really two questions, Is the force structure in the plan adequate to fight two conflicts?

The second question is, Is the money in the budget plan adequate to fund the force structure that is in the plan?

Mr. Aspin states, the answer to the first is yes, the answer to the second question is doubtful.

Here we find ourselves not only in deficiency of the amount needed to support national security, but a difference, a delta in what that requirement is.

I would say, Ms. Williams, I agree with Mr. Hunter—I think that CBO has only looked at a piece of the pie. The delta is too great, and I look at examples all over the country, because I still fly at military bases and I talk to the kids and I talk to the operators.

The Air Force, you mentioned TEMPO maintenance, the Air Force has the lowest turnout of repair engines in history. In history. How does that affect national security?

I think GAO and CBO both need to take a look at the complexity of what affects national security in totality. I don't think CBO has done that, Ms. Williams. That affects training.

If I don't return that engine, which is a mature system, to an F-15, which is a mature system, that kid doesn't strap that airplane on his rear end and get to train, and you fight like you train. That does affect readiness.

I look at the defense conversion issues, and we could prove anything with statistics. Let me give you an example.

Mr. O'Hanlon, do you know why in Vietnam and Desert Storm, no United States Air Force, Navy, or Marine Corps aircraft was shot down with a MiG-21 gun? Can you tell me why?

Mr. O'HANLON. Talking about all those conflicts?

Mr. CUNNINGHAM. All those conflicts, why wasn't there any airplanes lost to a MiG-21 gun?

Mr. O'HANLON. I could give an answer for Desert Storm but—

Mr. CUNNINGHAM. The MiG-21 doesn't carry a gun. I can make out statements and I can put it in a capsulized form, as bean counters do, without looking at the big picture. I think that is the case in both of these.

We really need to get to the structure of what we need to do to provide for these kids that strap these machines, men and women, and have to go off to war, so that, as Patton said: "We want the other guy to come back in a bag, not our guy." That is the bottom line, that is why it should be inclusive. I don't care about politicians, I don't care about districts, I care about the kids I want to come back on this thing.

I look at things that I think should be included. I look at—you know BRAC, we talked about base closure, military units, all Department of Defense units are taking the unfunded mandate out of their hide, when we are talking about a limited Department of Defense budget. How does that affect our national security?

When we take a look, and take a youngster on a 6-month cruise, let him stay back with his family for a month and ship him off to Haiti, and they start killing themselves in suicides. That has to send a message. That affects national security and it affects the No. 1 factor of lack of national security, and that is retention, because it takes a lot of dollars to retrain those kids, and we lose them.

In the Navy, we have a large number of lieutenant commanders to fill department-head jobs. That is like your maintenance, your operations, and we are having to put younger lieutenants having to have waivers. All those affect and should be taken into account on national security.

I think we have done ourselves a disservice. I think there are two things that, in my idea, that the liberals have used as an agenda, one, that Russia is no longer a threat. They just dropped five Typhoon nuclear submarines after we give them \$1 billion to dismantle nuclear weapons. They built three submarines that go very deep, just to tap into our cables. They have a MiG-35, superior to the SU-27. An AA-10 missile, superior to our AMRAAM.

They are not a threat? How does that affect when we look to the future and the capabilities of our research and development?

I am alive because I flew machines and equipment that had a technological edge. The Sidewinders and Sparrows I used were superior to Atoll and Aphid that the Vietnamese had and that the Arabs had.

We have a guy from the industry here, Mr. Augustine, that is saying our research and development base is going down. How are we going to cope with that?

I would like, and I would like a commitment from you, Ms. Williams, at least by CBO, to take a look at what GAO has done and redo the figures that you are coming out with; \$150 billion shy is critical to the defense of this country.

Thank you.

The CHAIRMAN. Thank you, Mr. Cunningham.

We promised to get out of here by 1 o'clock and we passed that, but I wanted to recognize the ranking minority member, Mr. Dellums, for a final statement.

Mr. DELLUMS. Thank you.

And very briefly, let me thank the panelists for their contribution and compliment you for setting up these hearings. I might say very briefly, from this gentleman's opinion, that the stage has been now set, the table has now been set, the framework for future debate has been set, whether you accept Mr. O'Hanlon's argument that the shortfall is \$20 billion, or Mr. Hinton's argument that it is \$150 billion, or Dr. Williams' argument that it is \$47 billion. The bottom line is that there is a shortfall in the Bottom-Up Review.

It would be very interesting for those members of this panel who want to go beyond the assumptions of the Bottom-Up Review to increase; you have to at least get to the Bottom-Up Review before you can go beyond it. So you've got to find at least \$20 billion, or \$150 billion, or \$47 billion before you can increase SDI or before you can increase other areas in the budget. So I think that this hearing has been fortuitously very significant, because it has now set the stage for a very important discussion on the hearings that will go forward.

I thank you for establishing this kind of framework and basis for our moving forward.

The CHAIRMAN. I thank the gentleman.

Again I thank you on the panel for being with us.

Thank you very much.

The meeting is now adjourned.

[Whereupon, at 1:10 p.m., the subcommittee was adjourned.]



## H.R. 7—THE NATIONAL SECURITY REVITALIZATION ACT, BALLISTIC MISSILE DEFENSE PROVISIONS

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON NATIONAL SECURITY,  
*Washington, DC, Wednesday, January 25, 1995.*

The committee met, pursuant to call, at 9:30 a.m. in room 2118, Rayburn House Office Building, Hon. Floyd Spence (chairman of the committee) presiding.

### OPENING STATEMENT OF HON. FLOYD SPENCE, A REPRESENTATIVE FROM SOUTH CAROLINA, CHAIRMAN, NATIONAL SECURITY COMMITTEE

The CHAIRMAN. The meeting will please come to order.

Good morning. The committee meets this morning to receive testimony on ballistic missile defenses as part of its consideration of H.R. 7, the National Security Revitalization Act. I have a prepared opening statement I would like to submit for the record and just have a few remarks otherwise if I might at this time.

Recently, in my hometown of Columbia, SC, I had the privilege of sitting in on a focus group that was called together by a pollster or two to sound out the feelings of people on various issues. And the issue that they presented was our national defense and what they thought as citizens from all walks of life, age groups, representing various ethnic groups, too, just what their feeling was with what they knew about the state of our defenses.

And most of them thought we were in pretty good shape, that we were probably cutting back too much in some areas and in other areas maybe not cutting in the right places and those kind of things.

And then the question was asked if a ballistic missile was fired at this country, either by design or by accident from somewhere else, could we defend against it? And most of them said, yes, they thought we could.

And then the pollster asked them, well, how? They said, well, we have ICBM's, and we have heat-seeking missiles and all those kind of things that we can use to handle this threat.

And when told that those things were not defensive systems against ballistic missiles coming in, they just could hardly believe it. And they wanted to know why we did not have a defense against this happening. And they were told that we had a ballistic missile defense treaty with the Soviet Union and that prohibited us from having that.

And then they responded at some length on the fact that, well, now, that is a different world. That was with the Soviet Union. Now it is Russia. We have China involved in the equation. We have



other nations and the proliferation of ballistic missiles and cruise missiles and all these kinds of things and weapons of mass destruction throughout the world. And that is not even relevant, the ABM Treaty with Russia.

These are citizens now telling us how they feel about it, and they went further than that. And they were presented with a suggestion that it would cost a great deal of money to deploy a missile defense against these missiles, and it might mean raising taxes or even cutting back on social security or welfare, money for schools and all these kind of things. And do they still think we need to do it if it is going to cost us that much money coming from these categories? And the final answer was, almost unanimously, it was yes, do it. Do it, whatever it costs. We can't take a chance on not having our country defended in the world in which we are living.

That was amazing to me. The pollsters have found out throughout the country that 80 percent of the people are concerned about missile defense, about the proliferation of delivery systems and weapons of mass destruction, but only 60 percent of them are aware of the fact that we don't have a missile defense system in this country, and that is equally amazing.

I think that sets the question before us, frames the question before us as we enter into these hearings on a missile defense system and indeed all of our defense budget. The American people think that we are in pretty good shape from the standpoint of our defenses until they find out the true facts of the matter—that we aren't—and then they become concerned, and they want to know whose neck they are going to chop off because we aren't being dealt with as we should as a nation.

[The prepared statement of Mr. Spence follows:]

**STATEMENT OF  
HONORABLE FLOYD D. SPENCE  
Chairman  
House National Security Committee**

**January 25, 1995**

The Committee meets this morning to receive testimony on ballistic missile defenses as part of its consideration of H.R. 7, the National Security Revitalization Act.

Two years ago then-Secretary of Defense Aspin designated tactical missile defense (TMD) as the highest priority effort within the overall U.S. ballistic missile defense program. Unfortunately, reality has not kept pace with rhetoric as the Clinton Administration's TMD budget is approximately 30 percent less than spending levels recommended by the previous Administration. As a result, several of the most promising TMD concepts, such as the Navy's "Upper Tier" program and the Army's Theater High Altitude Area Defense (THAAD) system, have been delayed.

Even more disconcerting is the fact that the Administration has proposed turning the 1972 ABM Treaty into a new, multilateral "ABM/TMD Treaty" in its arms control talks with Russia, and others. current U.S. proposals will impose specific design limitations on U.S. systems that will tie the hands of U.S. engineers and result in less-than-fully-effective U.S. systems. It's the same mess we got ourselves into with the PATRIOT missile twenty-five years ago. My concern with the Administration's negotiating posture on the ABM Treaty recently prompted me to sign, along with other committee chairmen and the entire Republican leadership of the House, a letter to President Clinton urging that negotiations be suspended until the 104th Congress has had an opportunity to review U.S. TMD plans, programs and arms control proposals in greater detail.

The letter was written three weeks ago and we have yet to receive a response. I remain hopeful, however, that the President will opt to work with this Congress to develop what I believe must be a more responsible and politically sustainable approach to this entire issue.

The Administration's program for a national missile defense -- that is, a defense of the U.S. homeland -- is even more worrisome. There are currently no plans to field a national missile defense. In fact, DoD presently plans to spend less than \$500 million per year on national missile defense programs over the next five years. Ironically, this is less money than President Carter spent on national missile defense programs two decades ago.

Last week I had the opportunity to watch a focus group session on missile defenses in my home form Colombia. People representing all "walks of life" participated and it was fascinating. Every one of the 15 participants believed that we had missile defenses. When informed of the truth, the almost uniform response was "why not?"

The Administration's conscious decision to abandon plans to deploy a national missile defense is particularly mystifying when one considers the range of potential threats. Both Russia and China today maintain nuclear forces -- and in fact are aggressively modernizing these forces -- capable of destroying American cities. Moreover, various "rogue regimes" are seeking a capability to attack the United States using ballistic missiles. According to senior U.S. intelligence officials, it may not take long for an outlaw regime to achieve such a capability. For instance, the Defense Intelligence Agency Director, Lieutenant General James Clapper, earlier this month testified that North Korean missiles now under development probably have sufficient range to reach targets in Alaska.

I believe that a modest and effective defense is technically feasible and affordable, so time is of the essence if we are to re-start even a modest national missile defense program and progress toward deployment of such a system before rogue regimes have the ability to target American cities. This is why the Contract with America calls for the deployment of a national missile defense system.

H.R. 7 states that it shall be the policy of the United States to deploy effective theater and national missile defense systems (quote) "at the earliest possible date." It also directs the Secretary of Defense to report back within 60 days on his plans to implement this policy.

To help us better understand where this country is, and where it is not, in the arena of missile defenses, we have with us this morning three

distinguished experts, none of whom are new to the missile defense debate. They are: Richard Perle, a former Assistant Secretary of Defense and currently a Resident Fellow at the American Enterprise Institute; John Pike, director of the space policy project at the Federation of American Scientists; and Stephen Hadley, a former Assistant Secretary of Defense and currently a partner with the law firm of Shea and Gardner. I welcome all of you, and look forward to your testimony.

Before commencing, I would like to yield to the distinguished gentleman from California, Mr. Dellums, for any comments he deems appropriate at this time.

Thank you, Mr. Dellums.

Before I turn it over to our witnesses, I want to mention that I intend give each witness, after all statements have been given, the opportunity to briefly comment or react to the statements of the other witnesses.

Let's begin with Mr. Hadley, followed by Mr. Pike, and lastly, Mr. Perle.

The CHAIRMAN. With that, I would like to welcome this morning the witnesses we have before the panel. They are: Mr. Richard Perle, a former Assistant Secretary of Defense and currently a resident fellow at the American Enterprise Institute; Mr. John Pike, director of the space policy project of the Federation of American Scientists; and Stephen Hadley, a former Assistant Secretary of Defense and currently a partner with the law firm of Shea & Gardner.

I welcome all of you and look forward to your testimony, but before commencing I would like to yield to the distinguished gentleman from California, Mr. Dellums, for any comments he might make.

Mr. DELLUMS. Thank you very much.

Mr. Chairman, members of the committee, I want to join with you and thank our witnesses for their willingness to join in our inquiry on whether we should undertake and whether we can afford a costly effort to accelerate the deployment of ballistic missile defense beyond our current robust effort. I hope they will help us to deal successfully with this serious and important issue.

Let me say, though, that I believe their testimony would be immensely of greater aid to this committee had we been able to hear first from the Department of Defense regarding its current ballistic missile defense program. While the trade press may carry stories wondering whether H.R. 7 is merely a symbolic action, I must assume that it is a serious legislative initiative. Otherwise, we would not be sitting here discussing its provisions.

I, therefore, would have hoped that our hearing record for such a serious topic would have included the testimony of those who currently are charged with the implementation of programs that have been enacted into law by the Congress in order that they could provide us with their scientific, administrative, budgetary, and military expertise.

Such testimony would have aided the committee's many new members hearing the testimony to better understand the nuances of the testimony that we will be receiving shortly. It would have aided returning members in getting up to speed on this issue, an issue that we last discussed in considerable detail in writing the Missile Defense Act of 1991, amended in fiscal year 1993 and fiscal year 1994. It would have rendered the exchange of views today much more productive.

Beyond having the administration here, I believe that this issue warrants more than a half day of hearings. To say that we will cover the issue again during the authorization process begs the question. It ignores the fact that with this legislation and with title II in particular we are setting the stage to constrain perhaps dramatically other options that will be before us.

Taking more time to discuss these issues would lead us to more informed decisions about what is at stake when we contemplate accelerating ballistic missile defense programs. Even the most public of campaign promises deserves the most careful scrutiny when it has such a potentially dramatic impact on our national security.

When campaign promises move to legislative initiatives, the process, it seems to me, must be deliberative, substantive, and



thoughtful, leading to informed decisions. That is our solemn responsibility. That is our basic contract, as it were, with the people.

Let me now turn to other issues. Title II represents a dramatic and an expensive departure from current policy. It ignores the substantial work being done on ballistic missile defense. It does not address the difficult issues of technical feasibility relating to potential effectiveness. It fails to prioritize missile defense deployment with reference to other pressing needs. It is a costly homage to an outdated strategy of dubious worth.

What we would not be able to address in substantive detail to this, gentleman, and I would hope to your satisfaction in a half-day hearing are issues such as the following: the affordability of additional missile defense funding in light of competing and perhaps more pressing needs within and outside the Department of Defense; there exists no current threat that warrants an urgent deployment of a national missile defense system; the adverse impact of the ABM Treaty by development and deployment of the system, the subsequent threat to reignite the strategic arms race.

All of these bear consideration: the uncertain technical feasibility in achieving desired effectiveness, the lack of burdensharing from allies who will share the benefit of our development and deployment program.

While there exists varied opinions on this committee concerning the appropriateness of our present military expenditure level, there must be near unanimity that title II provisions requiring an accelerated ballistic missile defense program, both theater and national defense, would be a costly addition to any proposed military spending budget. Just to return to the Bush-era program would result in additional cost in excess of \$25 billion over the next 5 years, by our calculation, \$18.9 billion of that for the national missile defense program.

Discussions on programs of this scale warrant the full range of input. On that point there should be no difference among any of us on this committee. To the tune of \$25 billion, one-half day hearing, it seems to me, is totally inadequate to address the issue.

Even assuming that the military budget line were to receive a modest increase in budget allocation from the budget resolution, it strains credibility to imagine that other pressing problems within the defense account would not be crowded out by the considerable cost of even a modest expansion of the ballistic missile defense program.

Despite the probability that adopting title II would lead to precisely such a problem, we are preparing, in advance of our deliberations on national security priorities, to establish an a priori funding priority for ballistic missile defense without regard to other issues that may come to our attention as we continue to discharge our significant oversight and deliberative responsibilities leading up to the defense authorization markup.

Consider, for example, what the impact of adopting such a policy blueprint might be on the following issues: How will we secure the pay adjustments that our women and men in uniform deserve and which will ensure that the services are able to attract the same caliber of talented and dedicated personnel that currently help to preserve our security and the peace? How will we furnish funds to pay

for the necessary infrastructure reductions that are inevitable that will provide some of the budgetary relief to meet our procurement needs in the next century? How will we afford to clean up these facilities and aid their host communities to make the transition to a post-military economy?

Until your military bases are closed, you don't have to address those issues, but those are realities that are on the table.

How will we undertake our efforts to reduce the strategic threat that faces us? How will we continue our efforts in the partnership for peace that offer hope for a stable Europe? How will we fund our nonproliferation and counterproliferation efforts that can prevent the very problems against we seek to arm ourselves?

Should we pursue an expanded and potentially destabilizing national missile defense program at breakneck speed, especially considering the extraordinary financial cost? To say nothing of the Central Intelligence Agency's observations with respect to what they perceive to be the potential threat over the next 10 or 15 years.

How will we afford possible critical modernization efforts that may be required to meet our national security requirements and its military strategy into the next century? How will we plan to meet the looming problems of Army equipment modernization, lift and mobility requirements, to name just a few of the major problems that will emerge in the years to come?

These are just a small number of the scores of questions that must be asked about the urgent and competing national security requirements that will be in some significant measure preempted—and I underscore preempted—by the adoption of title II's program of an accelerated and expensive missile defense program.

Members such as this gentleman who believe that we must begin to significantly rethink our fundamental assumptions in the context of a post-cold war and that such a rethinking is likely to lead to the conclusion that we can afford to spend less resources on the military function find the implications for an expanded ballistic missile defense effort to be doubly frightening for our ability to meet more realistic national security threats within the constraints of resource limits.

In addition, we must figure out as well how will we handle our ongoing and probably expanded commitments to the types of operations that will prevent violence from expanding into major regional contingencies to which our attention is so often directed.

The above are just the financial implications of an expanded ballistic missile defense program and the trade-offs that must occur in a limited dollar environment. Many equally important issues deserve equal attention.

We must attempt to assess the impact of this program and its impact on the efforts to reduce nuclear arsenals and the dangers that they pose. We must engage ourselves in the details of program feasibility and the marginal value of the program feasibility and the marginal value of further program investments.

And so, Mr. Chairman, I look forward to the debate that is unfolding. I think it is significant and important. We plan to play a significant role in this debate. Whether this committee or the House should choose to adopt title II or not, we would need to re-

visit this issue and understand the scale of the impact that pursuit of such a missile defense program will have on all of the elements of our national security strategy. That is our charge. That is our responsibility. That is the fiduciary responsibilities that have been laid in our hands. As I said before, that is the basic contract to the people.

With those comments, I yield back the balance of my time.

The CHAIRMAN. I thank the gentleman for his comments.

I might mention at this time that we are going to schedule another hearing on this matter on Friday of this week, at which time Secretary of Defense Perry and the Chairman of the Joint Chiefs of Staff will appear as witnesses.

I am sure we will have ample opportunity to explore this question at length, and I am sure that it will be explored from all sides, especially when we have such astute people on our committee as our ranking member, Mr. Dellums.

With that, I would like to turn our program over to the witnesses this morning. And I want to mention that I intend to give each witness, after all statements have been given, the opportunity to briefly comment or react to the statements of other witnesses.

Let's begin with Mr. Hadley, followed by Mr. Pike and, lastly, Mr. Perle.

The CHAIRMAN. Mr. Hadley.

#### **STATEMENT OF STEPHEN J. HADLEY, PARTNER, SHEA & GARDNER, FORMER ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY POLICY**

Mr. HADLEY. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, it is a great privilege to have the opportunity to appear before you today to testify concerning the provisions of H.R. 7 as they relate to ballistic missile defense. I thought it might be helpful this morning to try and put these provisions into a broader historical context by reviewing very briefly the recent history of the country's current efforts in this field.

I have a prepared statement, Mr. Chairman, which I offer for the record. I would like to give an abbreviated version of that statement, if I might, here this morning.

The CHAIRMAN. Without objection.

Mr. HADLEY. The current effort, of course, began with President Reagan's speech in March 1983. I think it is important to remember that this speech was given at the height of the cold war when the Soviet Union and the United States had massive strategic nuclear arsenals aimed at each other. This was a time when the bulk of those arsenals were in the form of ballistic missiles, either deployed on land—so-called ICBM's—or deployed at sea—so-called SLBM's—and that at that time each side was vulnerable to an attack by the other side's strategic ballistic missiles.

This was because, while both sides had advanced a large amount of money in deploying extensive air defenses designed to shoot down each other's bombers, the two sides had agreed in the 1972 Anti-Ballistic Missile Treaty—or the ABM Treaty—that they would not deploy defenses against each other's ballistic missiles except for two sites on each side, later reduced to one. This meant that under



the strategic doctrine of the day neither side could run the risk of launching a massive attack against the other because of the certain knowledge that it would provoke a massive nuclear retaliatory strike with the ballistic missiles of the other side.

President Reagan proposed to change this approach to deter war not by the threat of instant retaliation but by an ability, as he said, to intercept and destroy strategic ballistic missiles through the deployment of defenses. I think it is important to remember that it was clear that in order to deploy the system President Reagan was talking about would require a change or putting aside of the ABM Treaty. And this touched off an extremely bitter public debate between the advocates and the critics of that treaty and this approach.

Subsequent to this initiative, we saw in 1989 and 1990 the events that are now familiar to us all, the end of the Soviet empire and Eastern Europe, the collapse of the Warsaw Pact and, finally, the dissolution of the Soviet Union itself. At that point, the SDI program changed dramatically, and I think this is a point that people do not give adequate weight to.

President Bush, in his State of the Union address on January 29, 1991, announced that he was redirecting the SDI program away from its previous focus, deterrence of a massive Soviet ballistic missile attack, to providing protection against the United States, its forces overseas and its friends and allies against limited ballistic missile attacks, primarily from countries that were now seeking weapons of mass destruction for the first time and the ballistic missiles to deliver them.

This concept was called global protection against limited strikes or GPALS. And the program he outlined would have resulted in a phased deployment of defenses—first defenses against short-range or theater ballistic missiles, then deployment of ground-based defenses against longer range strategic ballistic missiles and, finally, the deployment of space-based interceptors.

The events of the next 9 months vindicated this vision. In the gulf war, Saddam Hussein attacked Saudi Arabia and Israel with relatively primitive Scud ballistic missiles. He was undeterred from this by any threat of retaliation, which would have been the old strategic doctrine. Indeed, retaliation was exactly what he wanted, to bring Israel into the war and thereby fragment the coalition of Arab states that was supporting the war effort.

Our military forces tried to destroy Iraqi ballistic missiles while on the ground before they were launched, but this proved to be very difficult. It was the deployment of the Patriot missile batteries to Israel and Saudi Arabia that stabilized the situation. And whatever may be said about the technical performance of those missiles, the deployment permitted Israel to remain out of the war and the coalition to remain intact.

But it is also important to remember that the toll of those missiles was very real. The single greatest loss of U.S. lives in that war was the result of a Scud missile attack.

The gulf war concluded in March 1991. Five months later, the unsuccessful coup attempt in the Soviet Union raised real questions about who was actually in command and control of Soviet strategic nuclear weapons—and the possibility of an unauthorized

or accidental launch of those weapons against the United States. This further strengthened the rationale for protection against limited ballistic missile attacks.

These events were not lost on either the administration or the Congress, and near the end of 1991 Congress enacted and the President signed the Missile Defense Act of 1991.

This act set as a national goal both the option to deploy an ABM system capable of providing a highly effective defense of the United States against limited attacks by ballistic missiles—so-called national defense—and the deployment of highly effective theater missile defenses for U.S. forward deployed and expeditionary forces and for U.S. allies—theater defense.

The Missile Defense Act also urged the President to pursue immediate discussions with the Soviet Union on the feasibility and mutual interest of amendments to the ABM Treaty that would allow the deployment of defenses beyond those permitted by that treaty.

This act was a very important event because it reflected the emergence for the first time of a broad consensus between the Congress and the executive and between large numbers of Republicans and Democrats on an approach to ballistic missile defense. As the gulf war indicated, theater ballistic missiles were the immediate threat, but fairly near-term theater defense technologies were available to deal with them. At the same time, there was also consensus that the United States needed to be able to develop and deploy a system of national defense to defend the territory of the United States.

There were admittedly some differences of view as to when this latter threat might appear, but there was general consensus that it would and that we needed to start to make provision for them.

In light of the redirection of the SDI program to GPALS, the Bush administration also changed its approach to the Soviet Union on this issue. And this is a part of the story that I think is also not appreciated, just how far we went and how much progress we made in discussions first with the Soviet Union and then with Russia toward a mutual agreement that defenses were in the interests of both sides.

It began on September 27, 1991, when President Bush called on Soviet leadership to join with us in taking immediate, concrete steps to permit the limited deployment of nonnuclear defenses to protect against limited ballistic missile strikes, whatever their source.

On October 5, 1991, then-President Gorbachev responded by saying that "We are ready to discuss the United States proposal on nonnuclear ABM systems." This was followed by some dramatic events in Moscow which resulted in the dissolution of the Soviet Union and the emergence of an independent Russia with its first democratically elected president, Boris Yeltsin.

In speeches on January 29 and January 31, 1992, President Yeltsin called for a global system for protection of the world community that could be based on a reorientation of the United States SDI to make use of technologies developed in Russia's defense complex. This was a real breakthrough that stunned even the most committed advocates of ballistic missile defense. We had a Russian



leader formally acknowledging that ballistic missile defense had an important role to play in the post-cold-war world for both Russia and the United States.

The Bush administration informed President Yeltsin that it welcomed his proposal for a global protection system—or GPS. The United States quickly consulted its friends and allies in Europe and Asia to make clear to them that they would be on the ground floor of any such system and would be expected to make a contribution to it. We particularly sought to enlist our NATO allies in this cooperative effort.

To deploy such a global protection system would have required changes to the ABM Treaty, but cooperation in developing the system would have allowed Russia to accept its deployment and to accept the changes in the treaty it would have required. It was also felt that this would change the thinking in the United States as well, for if the world community in general and Russia in particular were ready to develop and deploy defenses against limited ballistic missile attacks, then even the most skeptical critics in the United States would have to give way. Thus, cooperation on a global protection system offered the hope of breaking the domestic political logjam on the ABM Treaty.

At their summit meeting in June 1992, President Yeltsin and President Bush formalized cooperation between their two countries on a global protection system. In a joint summit statement issued on June 16, 1992, the two Presidents agreed “that it is important to explore the role of defenses in protecting against limited ballistic missile attacks.” They agreed that their two nations should work together with allies and other interested states in developing a concept for such a system as part of an overall strategy regarding the proliferation of ballistic missiles and weapons of mass destruction. To this end, they established a high-level policy group to explore the possibilities of cooperation.

That group met twice, during July and September 1992, and established working groups to pursue specific issues. Considerable progress was made in developing a workable concept for the GPS system, in defining specific areas of technical cooperation between the two countries, and in developing demonstrations for sharing of early warning information and even for a joint deployment by the two sides of their respective theater missile defense capabilities. This effort, we thought, held a lot of promise.

It was suspended, obviously, as a result of the U.S. Presidential election in November 1992.

Now, under the Clinton administration, discussions between the United States and Russia on the subject of ballistic missile defense have continued, but my understanding is that the primary object of those discussions has changed. Since November 1993 the two sides have been meeting in what is called the Standing Consultative Commission—or the SCC—on the demarcation between systems to defend against theater ballistic missiles—or TMD systems—and systems to defend against strategic ballistic missiles—or ABM systems.

But instead of leading to the revision of the ABM Treaty to facilitate deployment of ballistic missile defenses, which was the purpose of these discussions between the United States and Russia

under the Bush administration, those discussions seem instead to be extending the treaty's limits and imposing new restraints on the ability of the United States to deploy systems to defend against theater ballistic missiles. This is ironic, of course, because the ABM Treaty does not by its terms impose any limits on defenses against theater ballistic missiles.

The administration has also made significant changes in the U.S. ballistic missile defense program. It has cut spending on national missile defense of the territory of the United States by 80 percent.

And the point here is that there no longer is a program designed actually to procure and deploy a defense of the territory of the United States. We are not talking about accelerating a program. There no longer is a program that has the objective to procure and deploy a system. It is all technology. Spending on theater missile defense has been cut 30 percent, and this has led to a curtailment of some funding for certain promising options.

But I think more fundamentally the problem is that we have seen a falling away from the bipartisan consensus between Congress and the executive branch that was reflected in the Missile Defense Act of 1991, and I would hope H.R. 7 is an opportunity for beginning to forge a new consensus behind ballistic missile defense. It will be a long process. It will take time. It will require this committee to grapple with a number of very difficult issues.

But while it will be a difficult process to finish, I don't think it is a difficult process to start. And I would hope that it is possible to build a consensus around certain basic principles, and I would offer six of them this morning for your consideration:

First, ballistic missiles potentially armed with weapons of mass destruction constitute a clear and present danger to the United States. We know that countries have or are working to develop these systems. As the gulf war showed, they are already a threat to U.S. allies and forces abroad. For this reason, we need to pursue theater missile defense as a high priority.

But, second, at the same time, it is clear that the threat does not and will not stop here. Despite our best efforts on the nonproliferation front, it is almost certain that such weapons will ultimately represent a threat to U.S. territory itself. The only question is when.

Third, I would hope we could agree that the United States must not permit itself to become vulnerable to such a threat. We should be able to agree that it would be simply intolerable for a Saddam Hussein to be able to threaten the territory of the United States with a ballistic missile armed with a weapon of mass destruction.

Fourth, the United States should be pursuing right now a program for developing, procuring and deploying a defense against such a threat. We do not know when that threat will emerge. We do know that it will take time to achieve a system to deal with that threat. We need to get started on that program. We can argue about how fast, how much money to put into it, but we need to get back into the business of defending the country against these threats.

Fifth, discussions with the Russians should be directed toward updating the ABM Treaty constraints to facilitate deployment of ballistic missile defenses. We should not be accepting additional

constraints on our ability to pursue defenses against theater ballistic missiles.

Sixth, despite our efforts to update the ABM Treaty in conjunction with the Russians, we should also be able to agree that, if it comes to it, we are simply not going to permit the ABM Treaty to stand in the way of our ability to defend against these threats. I hope we can agree that if Saddam Hussein were able to threaten U.S. forces, U.S. allies, and especially the territory of the United States with ballistic missiles armed with weapons of mass destruction, the American people would not accept the explanation that we were constrained by the ABM Treaty from doing what we needed to do to defend America.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Hadley.

[The prepared statement of Mr. Hadley follows:]

Statement of  
Stephen J. Hadley  
Before the  
House National Security Committee

Wednesday, January 23, 1993

Mr. Chairman, Members of the Committee.

It is a great privilege to have the opportunity to appear before you today to testify concerning the provisions of H.R.7 as they relate to ballistic missile defense. I thought it might be helpful this morning to try to put these provisions into a broader historical context by reviewing very briefly the recent history of this country's current efforts in this field.

The Original Strategic Defense Initiative (SDI)

Our current efforts to develop defenses against ballistic missiles had their origin in President Reagan's speech of March 23, 1983, given at the height of the Cold War. Both the United States and the Soviet Union had large strategic nuclear arsenals increasingly composed of ballistic missiles -- either based on land (ICBMs) or based on submarines (SLBMs). Under the strategic doctrine of the day, neither side would dare to launch a massive attack on the other because of the certain knowledge that this would provoke a massive nuclear retaliatory strike from the other side. Both sides could make good on such threats because although each had deployed extensive air defenses designed to shoot down the nuclear bombers of the other, neither side had similar defenses against ballistic missiles. This mutual vulnerability was codified in the 1972 Anti-Ballistic Missile

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Treaty (ABM Treaty) in which the United States and the Soviet Union agreed not to deploy defenses against strategic ballistic missiles except for a limited number of ground-based interceptors deployed at two sites (later reduced to one site on each side). Under this provision, the Soviet Union maintains today an ABM system to protect Moscow. But the United States phased out its ABM site at Grand Forks, North Dakota.

In his speech of March 23, 1983, President Reagan proposed a very different approach. U.S. security would rest not upon "the threat of instant U.S. retaliation to deter a Soviet attack" but on our ability to "intercept and destroy strategic ballistic missiles before they reached our own soil or that of our allies." We would use "the very strengths in technology that spawned our great industrial base" to render nuclear weapons "impotent and obsolete." To achieve this objective, President Reagan proposed a five-year, \$26 billion research program to investigate alternative technologies for defending against ballistic missiles.

President Reagan's proposal was highly controversial and led to a bitter public debate. It was clear from the very beginning that to deploy such a system would require relief from the restrictions of the ABM Treaty. At U.S. insistence, the United States and the Soviet Union began discussions in 1985 at the Defense and Space Talks in Geneva, Switzerland, in which the United States sought to convince Soviet negotiators to "move beyond" the ABM Treaty so as to permit a "cooperative transition"



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in which both sides would deploy defenses against ballistic missiles. Although some Soviet analysts, including members of the military, showed some real interest in this position, the Soviets never accepted it.

#### The Redirection of the SDI Program

This is where the effort to develop and deploy defenses against ballistic missiles stood at the beginning of 1989. The next two years would see the end of the Soviet empire in Eastern Europe, the collapse of the Warsaw Pact, and ultimately the dissolution of the Soviet Union itself. This virtually ended the threat of global war sparked by an overwhelming Soviet military attack upon the West. At the same time, the potential for major regional threats to U.S. interests was growing, as was soon to be illustrated by the Gulf War.

In response to these dramatic changes, President Bush implemented a new military strategy in which regional conflict replaced global war as the major focus of U.S. defense planning. At the same time, in his State-of-the-Union Address on January 29, 1991, he announced the redirection of the SDI program away from its previous focus -- deterrence of a massive Soviet ballistic attack -- to providing protection to the United States, its forces overseas, and its friends and allies, against limited ballistic missile attacks, whatever their source. This concept was called Global Protection Against Limited Strikes, or GPALS. This program would have resulted in a phased deployment -- first

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defenses against shorter-range or theater ballistic missiles, then deployment of ground-based defenses against longer-range strategic ballistic missiles, and finally deployment of space-based interceptors.

The events of the next nine months vindicated this vision. In the Gulf War, Saddam Hussein attacked Saudi Arabia and Israel with relatively primitive SCUD ballistic missiles. He was undeterred by the threat of retaliation. Indeed, retaliation was exactly what he sought -- to bring Israel into the war, and thereby fragment the coalition of Arab states that was supporting the war effort. U.S. military forces tried to destroy Iraqi ballistic missiles while on the ground, before they were launched, but this proved very difficult. It was the deployment of Patriot missile batteries to Israel and Saudi Arabia that stabilized the situation. Whatever may be said about the technical performance of those missiles, it permitted Israel to remain out of the war and the coalition to remain in tact. But the toll the SCUD missiles took was real. The single greatest loss of U.S. lives in the war was the result of a SCUD missile attack.

The Gulf War concluded in March of 1991. Five months later, the unsuccessful coup attempt in the Soviet Union raised real questions about who was actually in command and control of Soviet strategic nuclear weapons -- and the possibility of an accidental or unauthorized launch of those weapons against the United

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States. This further strengthened the rationale for a system of protection against limited ballistic missile attacks.

#### The Missile Defense Act of 1991

These events were not lost on either the Administration or the Congress. Near the end of 1991, Congress enacted and the President signed the Missile Defense Act of 1991.

The Missile Defense Act set as a national goal both (1) the deployment of an ABM system capable of providing a highly effective defense of the United States against limited attacks by ballistic missiles ("National Defense") and (2) the deployment of highly effective theater missile defenses for U.S. forward deployed and expeditionary forces, and U.S. allies and friends ("Theater Defense"). The Missile Defense Act also urged the President to pursue immediate discussions with the Soviet Union on the "feasibility and mutual interest of amendments to the ABM Treaty" that would allow the deployment of defenses beyond those permitted by the Treaty.

The Missile Defense Act of 1991 reflected the emergence for the first time of a broad consensus between the Congress and the Executive Branch, and between large numbers of Republicans and Democrats, on an approach to ballistic missile defense. As the Gulf War indicated, theater ballistic missiles were an immediate threat, but fairly near-term Theater Defense technologies were available to help deal with it. At the same time, there was also consensus that the United States needed to develop and deploy a

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system of National Defense to defend the territory of the United States against ballistic missile threats. Although there were some differences of view as to when these latter threats might appear, there was a general consensus that appear they would -- and that we needed to start now to make provision for them.

#### The Global Protection System or "GPS" Concept

In light of the redirection of the SDI program to GPALS, the Bush Administration also changed its approach to the Soviet Union on the ABM Treaty. Rather than seek a whole new treaty regime that envisioned no limits on the deployment of defenses, the United States indicated a willingness -- for the first time -- to accept some limits on the deployment of these systems.

In parallel with this shift, President Bush on September 27, 1991, called on the Soviet leadership to "join us in taking immediate, concrete steps to permit the limited deployment of non-nuclear defenses to protect against limited ballistic missile strikes whatever their source." On October 5, 1991, then-President Gorbachev responded by stating, "we are ready to discuss the U.S. proposal on non-nuclear ABM systems" and suggesting that the two countries examine the possibility of creating joint ballistic missile warning systems. This statement was a clear recognition by the Soviets, and later confirmed by the Russians, that the proliferation of ballistic missiles and weapons of mass destruction represented as big a threat to them as to us.

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Encouraged by the passage of the Missile Defense Act, on November 26, 1991, U.S. representatives met with representatives of the Soviet Union, Russia, Ukraine, Belarus, and Kazakhstan to table an outline for a new ABM treaty regime that would permit deployment of ballistic missile defenses but limited to what was required to protect against limited ballistic missile attacks. The proposal envisioned an upper limit on the number of deployed ABM interceptors; the distribution of ground based interceptors at a limited number of geographically dispersed sites with a limited number of interceptors at each site; relief from the ABM Treaty's constraints on development and testing; and a limited duration for any such agreement so as to permit deployment of more advanced systems such as space-based interceptors.

Meanwhile, dramatic events were occurring in Moscow which led ultimately to the dissolution of the Soviet Union and the emergence of an independent Russia with its first democratically elected president, Boris Yeltsin. In speeches on January 29 and January 31, 1992, President Yeltsin called for "a global system for protection of the world community [that could be] based on a reorientation of the U.S. SDI to make use of high technologies developed in Russia's defense complex." This was a real breakthrough that stunned even the most committed advocates of ballistic missile defense. A Russian leader formally acknowledged that ballistic missile defense had an important role to play in the post-Cold War world.



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The Bush Administration informed President Yeltsin that it welcomed his proposal for a "global protection system" (or GPS) -- that the United States shared his bold vision and was prepared to work with him toward that goal. The United States moved quickly to consult with its friends and allies in Europe and Asia to make clear that they would be in on the ground floor of any such system. We sought to reassure the British and French that it would not undermine the credibility of their own strategic nuclear deterrents. We particularly sought to enlist the NATO alliance in such a cooperative effort.

To deploy such a global protection system would require changes to the ABM Treaty. But cooperation in developing the system would allow Russia to accept its deployment and the changes in the ABM Treaty this would require. This would change thinking in the United States as well, for if the world community in general and Russia in particular were ready to develop and deploy defenses against limited ballistic missile attacks, then even the most skeptical critics in the United States would have to give way. Thus cooperation on a global protection system offered the hope of breaking the political log jam on the ABM Treaty.

#### U.S./Russian Discussions on a Global Protection System

At their summit meeting in June, 1992, President Yeltsin and President Bush formalized cooperation on a global protection system. In the joint summit statement issued on June 16, 1992,

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the two Presidents agreed "that it is important to explore the role of defenses in protecting against limited ballistic missile attacks." The two Presidents agreed that "their two nations should work together with allies and other interested states in developing a concept for such a system as part of an overall strategy regarding the proliferation of ballistic missiles and weapons of mass destruction." To this end, they established a high-level policy group to explore on a priority basis:

- The potential for sharing of early warning information through the establishment of an early warning center.
- The potential for cooperation with participating states in developing ballistic missile defense capabilities and technologies.
- The development of a legal basis for cooperation including new treaties and agreements and possible changes to existing treaties and agreements necessary to implement a global protection system.

The high-level group established by the two Presidents met twice, during July and September of 1992, and established working groups to pursue particular subjects. Considerable progress was made in developing a workable concept for the GPS system, in defining specific areas for technical cooperation, and in developing demonstrations for sharing of early warning information and even a joint deployment of the two sides' theater missile defense capabilities. The effort was suspended with the results of the U.S. Presidential election in November of 1992.

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Developments Under the Clinton Administration

Under the Clinton Administration, discussions have continued between the United States and Russia on the subject of ballistic missile defense. But the primary object of those discussions seems to have changed. Since November, 1993, the two sides have been meeting in the Standing Consultative Commission (SCC) on the demarcation between systems to defend against theater ballistic missiles (theater missile defense or "TMD" systems), and systems to defend against strategic ballistic missiles (anti-ballistic missile or "ABM" systems). Instead of leading to the revision of the ABM Treaty to facilitate the deployment of ballistic missile defenses, (the purpose of U.S./Russian discussions under the Bush Administration), these discussions seem instead to be extending the Treaty's limits and imposing new restraints on the ability of the United States to deploy systems to defend against theater ballistic missiles. This is ironic, because the ABM Treaty does not by its terms impose any limits on defenses against theater ballistic missiles (TMD systems).

The Administration has also made significant changes in the U.S. ballistic missile defense program. It has cut the funding dramatically. Spending on ABM systems for National Missile Defense (NMD) has been cut 80% so that there is no longer a program designed actually to procure and deploy a defense of the territory of the United States. Spending on Theater Missile Defense (TMD) has been cut 30%, leading to the curtailment of funding for certain promising options.

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Perhaps even more fundamentally, however, we have seen a falling away from the bipartisan consensus between Congress and the Executive Branch that was reflected in the Missile Defense Act of 1991.

### The Way Ahead

H.R.7 offers an opportunity to begin forging a new consensus behind ballistic missile defense. It will be a long process. It will require this Committee to grapple with a number of very difficult issues:

- The priority to be assigned to National Missile Defense as opposed to Theater Missile defense;
- The priority to be assigned to space-based elements as opposed to ground-based elements;
- The priority for scarce defense resources of these programs as opposed to other pressing defense needs (such as readiness, improved communications, and precision guided conventional munitions);
- How the United States should extricate itself from the current negotiations with Russia and redirect those negotiations toward facilitating the development and deployment of defenses against ballistic missiles;
- What can and should we do under the ABM Treaty as it now stands? What changes do we need in the ABM Treaty and by when do we need them?

While it will be difficult finally to resolve these questions, it is not difficult to make a start. It ought to be possible to build a consensus around certain basic principles:

1. Ballistic missiles potentially armed with weapons of mass destruction constitute a clear and present danger to the United States. We know that countries have or are working to

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develop these systems. As the Gulf War showed, they are already a threat to U.S. allies and forces abroad. For this reason, we need to pursue theater missile defense as a matter of high priority.

2. At the same time, it is also clear that the threat does not -- and will not -- stop here. Despite our best efforts on the non-proliferation front, it is almost certain such weapons will ultimately represent a threat to U.S. territory itself. The only question is when.

3. The United States must not permit itself to become vulnerable to such a threat. We should be able to agree that it would simply be intolerable for a Saddam Hussein to be able to threaten the territory of the United States with a ballistic missile armed with a weapon of mass destruction.

4. The United States should be pursuing right now a program for developing, procuring, and deploying a defense against such a threat. We do not know when such a threat will emerge. We do know it will take time to achieve a system to deal with such a threat. We need to start. We need to be "in the business" of defending the country against these threats.

5. Discussions with the Russians should be directed towards achieving relaxation of ABM Treaty constraints to facilitate deployment of ballistic missile defenses. We should not be accepting additional constraints on our ability to pursue defenses against theater ballistic missiles.



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6. But despite efforts to obtain relaxation of the ABM Treaty in conjunction with the Russians, we should also agree that, if it comes to it, we are simply not going to permit the ABM Treaty to stand in the way of our ability to defend against these threats. I think we can agree that if a Saddam Hussein were able to threaten U.S. forces, U.S. allies, and especially the territory of the United States with ballistic missiles armed with weapons of mass destruction, the American people would not accept the explanation that we were constrained by the ABM Treaty from doing what we needed to do to defend America.

The CHAIRMAN. Mr. Pike.

**STATEMENT OF JOHN PIKE, DIRECTOR, SPACE POLICY PROJECT, FEDERATION OF AMERICAN SCIENTISTS**

Mr. PIKE. Thank you, Mr. Chairman.

I would like to thank the committee for the opportunity to appear this morning to address one of the most important issues facing the new Congress. The Clinton administration now calls the strategic defense initiative the Ballistic Missile Defense Program, but this new program exhibits substantial continuity with the old in technology and goals. While the acronyms may have been changed, many of the programs continued by Clinton date from the Reagan or Bush era.

And, most strikingly, the new administration's ambitions for a virtually perfect defense against ballistic missiles harken back to the unattainable goals originally set by President Reagan over a decade ago.

Title II of H.R. 7, the National Security Revitalization Act, declares that it shall be the policy of the United States to deploy at the earliest possible date an antiballistic missile system that is capable of providing a highly effective defense of the United States against ballistic missile attacks and to provide at the earliest possible date highly effective theater missile defenses to forward-deployed and expeditionary elements of the Armed Forces of the United States and friendly forces and allies.

These provisions are a return to the Missile Defense Act of 1991, unleavened by any concerns about the status of arms control negotiations with Russia. The Clinton administration's program posed many of the same concerns that formed the core of the strategic defense debate for the past dozen years, and the attempt of H.R. 7 to revive other portions of the star wars programs of previous administrations will only reinforce these concerns. Unfortunately, there is simply no prospect that such defenses are needed and certainly no prospect that highly effective defenses are achievable. Star wars in all of its forms remains a system that won't work in search of a threat that doesn't exist.

But before considering questions of need or effectiveness, it is important to look at what these systems will cost. The costs of currently contemplated antimissile systems may seem modest compared with the trillion dollar fantasies of a decade ago, but they are nonetheless real money, even by Washington standards.

Reviving Reagan and Bush administration programs for deployment of national missile defense and a global protection system will require doubling the Clinton administration's budget more or less immediately, with significant further increases thereafter. We have very little to show for the \$35 billion we have spent on star wars over the past dozen years, and we will have even less to show for spending another \$35 billion on star wars over the next half-dozen years should we restore these projects advocated by previous administrations.

Now it remains to be seen how the administration will respond to H.R. 7's section 202 requirement that the Secretary of Defense "develop for deployment at the earliest possible date a cost-effective, operationally effective antiballistic missile system" or the sec-

tion 203 requirement that not later than 60 days after the date of enactment of this act the Secretary shall submit to the congressional defense committees a plan for deployment of an antiballistic missile system.

It remains uncertain how the new congressional majority will respond to these reports. But it must be clear to all that bringing these other systems to operational status will require far larger expenditures than are currently contemplated.

The total cost of deploying the Navy upper tier interceptors is estimated at about \$3.5 billion on top of the \$4.8 billion that would be required for the less capable lower tier system.

The Air Force claims that the total cost of deploying a boost-phase interceptor using kinetic energy technology will be approximately \$2.3 billion, with \$500 million required for an advance technology demonstration.

The Air Force also claims that the total cost of deploying seven airborne lasers would be about \$3 billion, following a half-billion-dollar technology demonstration effort.

Last year, the Ballistic Missile Defense Organization estimated that initial deployment of a single site using ground-based interceptor and ground-based radar technology would cost about \$20 billion as part of national missile defense and that each of the additional half-dozen or so sites that would be required might cost about another \$2.5 billion each, for a total cost of upwards of \$35 billion.

Now, there is also some talk of reviving the brilliant pebbles spaced-based kinetic energy interceptor program. Total cost of such deployments will certainly run in the billions of dollars and require substantial numbers of launches by the space shuttle, Titan 4 or other boosters, adding additional billions to the cost of deployment.

Some are even talking about bringing back space-based lasers. Each operational space laser would cost several billion dollars apiece, and the total cost of such a deployment would undoubtedly run tens of billions of dollars.

These large proposed expenditures by American taxpayers raise real questions as to the attitudes of the intended beneficiaries. Thus far, America's friends and allies, who would presumably stand the most to gain from such protection, have proven remarkably uninterested in paying the price of theater missile defenses. Most recently, the Republic of South Korea indicated that it was not interested in purchasing the Patriot system.

Fortunately for American taxpayers, the case for rapidly deploying a national missile defense or space-based weapons such as brilliant pebbles or space lasers remains far from clear.

Most recently, on January 10, 1995, Lt. Gen. James Clapper, Director of the Defense Intelligence Agency, testified that: "We see no interest in or capability of any new country reaching the continental United States with a long-range missile for at least the next decade."

Far from confirming the hopes of SDI advocates, the performance of the Patriot system during Desert Storm vindicated initial concerns of skeptics that the performance of antimissile systems would be degraded by real world problems, including discriminating de-

coys from real targets and the abiding unreliability of computer software.

For the foreseeable future America and Russia will retain large arsenals of strategic offensive forces aimed at each other. Thus, the original logic of the ABM Treaty, that reductions in offensive forces require strict limitations of antimissile systems, remains intact.

The Bush administration engaged the Russians in negotiations aimed at loosening or eliminating treaty restrictions on national missile defense and global protection systems, but to no avail. More recently, the Clinton administration has sought to loosen the treaty's restrictions on highly capable theater missile defenses, but, thus far, these negotiations have proven equally fruitless.

Deployment of antimissile systems beyond the ABM Treaty will clearly doom Russian ratification of the START II offensive forces reduction agreement. The antimissile systems that could be deployed over the next decade would not be militarily useful or effective, and to refocus ballistic missile defense programs on such near-term deployments is a tragic misdirection of scarce national resources.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Pike.

[The prepared statement of Mr. Pike follows:]

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## Ballistic Missile Defense and HR 7 - National Security Revitalization Act

### Testimony before the House National Security Committee

John Pike

Director  
Space Policy Project  
Federation of American Scientists

25 January 1995

John Pike is the Director of the Space Policy Project at the Federation of American Scientists. He coordinates the Federation's research and public education on space policy. A former political consultant and science writer, he is the author of over 190 studies and articles on space and national security, and is a co-author of the book *The Impact of US and Soviet Ballistic Missile Defense Programs on the ABM Treaty*. He is a Fellow of the British Interplanetary Society, and a member of the Council on Foreign Relations.

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## Ballistic Missile Defense

During the Cold War the Strategic Defense Initiative (SDI) was the preeminent expression of fears of an implacably hostile Soviet menace. With the end of the Cold War the debate over anti-missile systems lost some of the theological fervor of earlier times. But ballistic missile defense remains one of the central elements defining American views of national security. Today these programs respond to inchoate apprehensions of implacable hostility emanating from regional actors. It thus perpetuates a view of a world order primarily characterized by military threats rather than economic and cultural opportunities.

The Clinton Administration now calls the Strategic Defense Initiative (SDI) the Ballistic Missile Defense Program (BMDP). But the names have been changed to protect the guilty – the new program exhibits substantial continuity with the old in technology and goals. While acronyms have been changed, many of the programs continued by the Clinton Administration date from the Reagan or Bush era. And most strikingly, the Clinton Administration's ambitions for a virtually perfect defense against ballistic missiles harken to the unattainable goals initially set by President Reagan over a decade ago.

Title II of HR.7, the National Security Revitalization Act, declares that:

"It shall be the policy of the United States to –

"(1) deploy at the earliest possible date an anti-ballistic missile system that is capable of providing a highly effective defense of the United States against ballistic missile attacks; and

"(2) provide at the earliest possible date highly effective theater missile defenses (TMDs) to forward-deployed and expeditionary elements of the Armed Forces of the United States and to friendly forces and allies of the United States."

These provisions are a return to the Missile Defense Act of 1991, unleavened by any concerns about the status of arms control negotiations with Russia. The Clinton Administration's program posed the same concerns that formed the core of the strategic defense debate for the dozen years. The attempt of HR-7 to revive portions of the Star Wars programs of previous Administrations will only reinforce these concerns. There is simply no prospect that such defenses are needed, an certainly no prospect that "highly effective" defenses are achievable. Star Wars remains a system that won't work in search of a threat that doesn't exist.

## How much will it cost?

Before considering questions of need or effectiveness, it is important to look at what these systems will cost. The costs of currently contemplated anti-missile systems may seem modest compared with the trillion dollar fantasies of a decade ago. But they are nonetheless real money, even by Washington standards. The roughly three billion dollars that the Clinton Administration has proposed for anti-missile systems each year for the remainder of this decade nearly matches the actual level of funding provided by the Congress during the first decade of Star Wars. Reviving Reagan and Bush Administration programs for deployment of National Missile Defense and a Global Protection System will require doubling this budget more or less immediately, with significant further increases thereafter. We have very little to show for the \$35 billion spent on Star Wars over the past dozen years. And we will have even less to show for spending another \$35 billion on Star Wars over the next half-dozen years, should we restore the projects advocated by previous administrations.

The Theater High Altitude Area Defense system is a multi-billion dollar effort to develop an integrated two-layer wide-area defense against ballistic missiles with ranges up to 3,000 kilometers. THAAD is intended to engage such targets at distances of up to 200 kilometers, at altitudes in excess of 100 kilometers. The total cost of deploying 1000 to 1500 THAAD interceptors, with their associated Ground Based Radars, is estimated by BMDO at \$12 billion. Cuing by space-based Brilliant Eyes sensors (or large ground-based radars) would substantially extend the range of THAAD, and also greatly increase its cost.

The Clinton Administration's \$3 billion annual BMDO budget already covers the deployment of THAAD, along with the \$4.2 billion programmed for the PAC-3/ERINT interceptor deployment.

It remains to be seen how the Administration will respond to HR-7's Section 202 requirement that the Secretary of Defense "develop for deployment at the earliest possible date a cost effective, operationally effective antiballistic missile system designed to protect the United States... (and) advanced theater missile defense systems," or the Section 203 requirement that "Not later than 60 days after the date of the enactment of this act, the Secretary of Defense shall submit to the congressional defense committees a plan for the deployment of an antiballistic missile system... (and) theater missile defense systems..." And it remains uncertain how the new Congressional majority will respond to these reports. But it must be clear to all that bringing these other systems to operational status will require far larger expenditures than are currently contemplated.

The Navy Upper Tier system is far more ambitious than THAAD - though less completely defined, it represents a quantum leap in capability. Upper Tier would use either the Army's

THAAD interceptor atop the existing SM-2 booster motor, or a complete two-stage SM-2 with the LEAP (Light-weight Exo-Atmospheric Projectile) kill vehicle, initially developed in conjunction with the SDI Brilliant Pebbles space-based interceptor program. Cued with data from the space-based Brilliant Eyes sensors, or other satellite data, the Upper Tier interceptor would have the potential to negate targets at ranges of many hundreds of kilometers. The total cost of deploying Navy Upper Tier interceptors is estimated at \$3.5 billion, on top of the \$4.8 billion that will be required for the less capable Lower Tier.

Advocates of the Air Force boost-phase intercept TMD contend that just as MIRVs rendered the boost-phase the most highly-leveraged layer of strategic defense, the prospect of cluster bombs of submunitions on theater missiles render the boost-phase equally if not more imperative for TMD. Studies by BMDO itself have concluded that this would pose not great technical challenge to a potentially regional adversary. The logic of the boost-phase advocates, that such a response could negate ground-based defenses on a time-scale comparable to that needed for their deployment, is difficult to fault. Initial Air Force interest centered on placing the ubiquitous LEAP kill vehicle atop the trusty SRAM missile, patterned along the lines of the Air-Launched Miniature Vehicle anti-satellite weapons tested in the 1980s. More recently, the Air Force has focused on developing an air-launched TMD interceptor based either on the AMRAAM air-to-air anti-aircraft missile, or the HARM air-to-ground anti-radar missile. The Air Force claims that the total cost of deploying Boost-Phase Interceptors will be approximately \$2.3 billion, with \$500 million required for an Advanced Technology Demonstration.

In addition, the Air Force Phillips Laboratory has revived the concept of the Airborne Laser Laboratory (ALL) tested in the 1970s and 1980s. This new Air-Borne Laser (ABL) program intends to mount a megawatt-class chemical oxygen iodine laser (COIL) on a 747-class platform, with the hopes that it would be capable of countering missiles in their boost phase at ranges of hundreds of kilometers. The Air Force claims that the total cost of deploying seven such Air Borne Lasers would be \$3 billion, following a \$500 million technology demonstration effort.

There is also discussion of reviving the National Missile Defense program of the Bush Administration. This program is based on long-range ground-based interceptors using the approach first employed in the Homing Overlay Experiment (HOE) that successfully intercepted a warhead in 1984. HOE was followed by the Lockheed-built Exo-atmospheric Reentry-vehicle Interception System (ERIS), which incorporated a much smaller and lighter kill vehicle. The Ground Based Interceptor Experiment (GBI-X), a smaller and more sophisticated version of the ERIS, was converted into the Exoatmospheric Kill Vehicle (EKV) technology readiness program by the Clinton Administration. In each case, these interceptors were to be supported by the X-band Ground Based Radar (GBR).

In late 1990, the Strategic Defense Initiative was reoriented into a Global Protection Against

Limited Strikes (GPALS) system, to defend against tactical and theater missile threats, as well as up to 200 long-range ICBM or SLBM warheads aimed against the United States. The order-of-magnitude reduction in the number of warheads involved in a "strategic" compared to a "limited" attack did not lead to a comparable reduction in the size of the defensive system: the 1,000 ground-based interceptors for NMD were 50% of the previous number required for a defense against a large Soviet attack.

This program was further reoriented in 1993, providing a rolling deployment option at an annual cost of some \$600 million. This would permit deployment of a contingency capability against a small number (defined as 4) of potential Third World missiles in a few years time, with deployment of a more ambitious system within a decade. Last year BMDO estimated that initial deployment of a single site using GBI and GBR technology would cost about \$20 billion, and that each of the additional half-dozen sites would cost another \$2.5 billion apiece, for a total cost of \$35 billion.

There is also talk of reviving the Brilliant Pebbles program. The hallmark of the SDI since 1983 has been an initial layer of space-based interceptors that home in on the hot exhaust plumes of hostile missiles during the first few minutes of their flight. This boost-phase layer is intended to destroy missiles before they can deploy multiple warheads and decoy warheads that would stress the performance of subsequent layers of the defense. Originally, plans for this layer of the system called for Space-Based Interceptor (SBI) rockets, each weighing about 100 kilograms, with between five and ten interceptor rockets carried on a satellite that would also carry target tracking sensors. The 1987 plan called for approximately 3,000 interceptors to be carried on approximately 300 Carrier Vehicle satellites, while the 1988 plan called for about 1,500 interceptors deployed on about 150 Carrier Vehicle satellites. A major change in these plans came in early 1989 with adoption of the "Brilliant Pebbles" (BP) concept (the name implying improved capabilities compared with the SBI "smart rocks"). Each Brilliant Pebble would orbit separately, making a less attractive target for anti-satellite attack. The initial plan for Brilliant Pebbles called for 4,614 to be procured, though this was subsequently reduced to 1,000 by the Bush Administration. Total cost of such deployments will certainly run in the billions of dollars, and require substantial numbers of launches by the Space Shuttle, Titan 4 or other boosters, adding further billions to the cost.

And some are even discussing bringing back Space-based Lasers. Such projects put the Star Wars in Star Wars over a decade ago, and yet the Clinton Administration is still financing the development and demonstration of the major subsystems of a space-based chemical laser, which is intended to lead to an operational constellation of a half-dozen orbital battle-stations by the year 2006. These projects include: the ALPHA Deuterium Fluoride 2.7 micron infrared laser tested on the ground at 2 Megawatts, upgraded to 5 Megawatts for space testing (with growth potential to 10-25 Megawatts); Acquisition, Tracking and Pointing (formerly TALON GOLD) telescopes with laser target designation;

and LODE (Large Optics Demonstration Experiment), which includes LAMP (the LODE Advanced Mirror Program) – a glass segmented beam director mirror with a diameter of 4 meters with active figure control. Each operational space-based laser (which would weigh on the order of 50,000 kilograms) would cost several billion dollars, and the total cost of such a deployment would be tens of billions.

## Who Pays?

These large proposed expenditures by American taxpayers raise real questions as to the attitudes of the intended beneficiaries. Thus far, America's friends and allies, who stand to gain the most from such protection, have proven remarkably uninterested in paying the price of theater missile defenses. Israel appears unwilling to pay the full cost of the Arrow program, and South Korea has recently decided not to purchase its own Patriot batteries. Negotiations with Japan have focused on trading American anti-missile technology for Japanese commercial technology, and have moved very slowly.

Why are American taxpayers now called upon to pay for defenses for countries that appear unwilling to defend themselves? During the Cold War, Americans spent hundreds of billions of dollars defending European and Asian allies. With the end of the Cold War, there were hopes that this burden would be lifted, but now this seems not to be the case.

Or perhaps our friends and allies know something that the advocates of anti-missile systems are unwilling to admit – the threat is minimal, and the costs are excessive. During the war with Iraq some forty Iraqi Scuds (which cost Iraq perhaps \$40 million dollars) inflicted about \$200 million in property damage on Israel. The value of the property destroyed was exceeded several fold by the cost of the Patriot systems deployed to defend Israel. And proponents of the Arrow claim that this shows the need to spend two to three billion on the Arrow. Such cost-exchange ratios are manifestly unfavorable to the defense.

The question of whether defense of the American homeland or of American Allies against Third World missiles is subject to the Nitze criteria of a favorable marginal cost exchange ratio has provoked controversy. In previous debates over SDI, it was generally accepted that if the cost of intercepting a missile was greater than the cost to the attacker of the missile, deployment of defenses could simply stimulate the sort of offense-defense competition that has thus far been avoided by the superpowers through the ABM Treaty. Whether such investments are warranted, and whether the Nitze criterion of a favorable cost-exchange ratio are applicable, depends on who is paying. In the absence of favorable cost-exchange ratios, the offense-defense game is transformed into simple economic warfare, with the weaker economy the loser. With roughly matched economies, such as the United States and Soviet Union, such a contest could have continued for some time,



though at enormous costs. The greater the inequality in economic resources, the more quickly the contest will be decided. Thus it is understandable that American regional allies are assuming that the United States will pick up the tab for their defense.

Israel is clearly disinclined to pay the full costs of the Arrow program, fearing a ruinously expensive arms race with its regional adversaries. In principle, the United States, with an economy that dwarfs that of Israel's antagonists, could pay for defenses for Israel that would overmatch Arab missile forces. In practice, however, the American government has been properly reluctant to accept such an open-ended commitment. This caution is all the more appropriate, given the likelihood that no prospective anti-missile system would manifest the perfection that could contribute to the resolution of Israeli security dilemmas.

### Is it needed?

The case for deploying theater missile defenses with capabilities beyond those of the improved Patriot PAC-3 / ERINT remain unclear. There is little prospect within the foreseeable future that the United States or its allies will be threatened by Third World ballistic missiles that cannot be addressed by such systems. Air-breathing threats, including cruise missiles, may pose an equal if not greater threat, which would not be countered by dedicated anti-ballistic missile systems. And counterforce strikes against missile launchers may be a more cost-effective response to the missile threat.

One of the most significant lessons from Desert Storm relates to the relative effectiveness of counterforce versus active defenses – some times referred to as "shooting the archer versus catching spears." Whatever the level of effectiveness of the Patriot, the immediate lesson of Desert Storm appeared to be that the air campaign against Iraqi missile launchers was a massive effort that produced disproportionately small results.

However, this negative assessment rests on too narrow a definition of success. While only a few Iraqi launchers were destroyed from the air, this was due to frantic Iraqi efforts to avoid detection and destruction. The result was a missile force that was for the most part too preoccupied with its own survival to mount a sustained attack against Israel or Saudi Arabia. Although Iraq was occasionally able to fire as many as 10 Scuds in a single day, fewer than 90 missiles were fired during the 42 days of combat. This is in stark contrast to the more than 400 that theoretically could have been fired in the absence of the air campaign, which succeeded in inflicting 75% virtual attrition rate against Iraq.

Early proponents of SDI asserted that the boost-phase layer of the defense was the most highly leveraged, since it could engage missiles before they deployed multiple warheads or countermeasures. Others responded that the most highly leveraged layer of the defense

was the pre-boost phase, otherwise known as preemptive counterforce, attacking the missiles before they are launched. Desert Storm confirmed the importance of pre-boost phase engagement. And yet proposed investments in the technologies and systems required to conduct such campaigns against tactical missiles remains minimal compared with the money proposed for active defense.

The case for rapidly deploying a National Missile Defense, or space-based weapons such as Brilliant Pebbles or space-based lasers, remains even less clear. We should be concerned about the proliferation of nuclear and chemical weapons, as well as the proliferation of ballistic missiles. Not because of the threat they pose to the American homeland, but because of the threat they pose to American interests and allies. Dealing with these problems requires a variety of measures, but deploying an anti-missile system to defend America is not among them.

Even the Ballistic Missile Defense Organization recognizes the remote likelihood of such a threat. Based on assessments from the US intelligence community, in recent BMDO briefings the prospect of a deliberate attack on the United States by either Russia or China was characterized as "highly unlikely." The risk of an accidental launch of a ballistic missile from either country was also "considered unlikely." And the possibility that some new Third World country might obtain even the capability of launching such an attack was dismissed as remote; BMDO concluded that "... the possibility of a limited ballistic missile threat from the Third World sometime in the first decade of the next century cannot be excluded."

In 1993 then-Director of Central Intelligence James Woolsey testified that: "After the turn of the century, some countries that are hostile to the United States might be able to acquire ballistic missiles that could threaten the continental United States. We can't give you a precise date - whether its eight years or ten years or fifteen years from now - by which that might occur. But more recently, on 10 January 1995, LTG James Clapper, Director of the Defense Intelligence Agency, testified that: "... we see no interest in or capability of any new country reaching the continental United States with a long range missile for at least the next decade."

Today one searches in vain for a country with the combination of the irresponsible leadership, nuclear capability, long-range missile capability and strategic motivation that would constitute a threat that could only be answered by deploying an anti-missile system. What outstanding geopolitical issue could bring the United States to the brink of nuclear war with some third country capable of attacking us with ICBM's?

Fortunately, the acquisition of the long range rockets needed to deliver a nuclear weapon over intercontinental ranges is very complicated and challenging process. The experience of Iraq, India and Brazil suggests that even a large country with a significant aerospace

industry would need more than a decade of highly visible testing to develop a long-range rocket that could threaten the United States.

The few years needed to deploy a contingency anti-missile system, as provided by the Clinton Administration, contrasts favorably with the decade that a potential foe might need to develop missiles that could threaten America. We would certainly have ample time to deploy a limited anti-missile system, if that seemed an appropriate response. But such a defense is likely to appear appropriate only in the face of a crazed leadership that seems unlikely to be deterred by the threat of American retaliation, in charge of a country that is in active conflict with the United States.

Of course, all of this assumes that we are faced with a foe that is not only crazy, but stupid as well. Even if one grants that somehow a Mad Dog dictator gets the bomb, why should we assume that he would choose to try to deliver it in the one way that places a return address on the package?

Isn't it much more likely that he would wrap his bomb in a bale of marijuana, which seems to permeate our borders quite easily, and fly it into the United States in a small plane? While the first American atomic bomb was a multi-ton leviathan that taxed the capacity of the B-29 bomber, today's nuclear weapons pack an equivalent yield into a few hundred pounds. A light airplane could readily transport such a device into the United States with little fear of detection. And a small truck could move the bomb into position on Wall Street, or near the White House.

For that matter, the same delivery system could be used to convey a respectable amount of poison gas. While the casualties from a chemical weapons attack on an American city would be merely hundreds or thousands, rather than the tens of thousands that might be killed in a nuclear attack, the political consequences would be much the same. Many countries, including some hostile to the United States, have long had such capabilities, but none have used them. This suggests that there is more than simple technological inability that has stayed the hands of our adversaries.

If any country were to use weapons of mass destruction against the American people, our response would be swift, and terrible. For more than four decades the United States threatened the certain annihilation of the Soviet Union in response to an attack on the American homeland. Can there be any doubt that any author of a nuclear attack on America would be reduced to a sea of radioactive glass within hours, if not minutes? If there is any doubt in the minds of the leadership of potential adversaries, we would be far better advised to assist them in clarifying their thinking on this point, rather than in debating the deployment of ineffective defenses.

## Will it work?

Intercepting tactical and theater ballistic missiles faces the same challenges to system effectiveness faced by strategic defenses. The experience of Patriot in Desert Storm confirmed the long-standing apprehensions of skeptics that the performance anti-missile systems would be degraded by the difficulties of discriminating real targets from decoys, and the unreliability of software. More advanced systems remain untested, and testing experience to date has produced mixed results.

The vision that President Reagan initially presented on 23 March 1983 for his Strategic Defense Initiative was a world in which nuclear weapons were rendered "impotent and obsolete." Although this was a somewhat vague and indefinite notion, it was generally taken to mean that the SDI would lead to a virtually perfect defense of populations. Certainly the exuberant rhetoric that was used in support of the program would have been difficult to sustain in support of less exalted goals, such as defense of retaliatory forces.

But this ambitious goal was generally regarded as requiring an implausible level of technical perfection. While Reagan's goal of an impermeable shield over Western Civilization was attractive, there was little reason to expect that it was attainable. Obvious Soviet countermeasures, such as massive numbers of decoy warheads, coupled with the predictable unreliability of battle management computer software, guaranteed that the goal of perfection would remain elusive.

Since President Reagan first unveiled his Strategic Defense Initiative the program has been marked by shifting goals and uncertain plans. The past decade has witnessed three major phases in the evolution of SDI. Each new phase was marked by less ambitious performance goals that were to be met by less ambitious technical means. The inevitable trend of these evolutions, however, has been to confirm the observations of those who have questions both the need and feasibility of anti-missile systems.

The first eight years of the Star Wars debate were marked by theological disputations unsullied by concrete experience - as with strategic nuclear war, there was (fortunately) no actual combat experience to constrain the speculations of theologians. Such combat experience was provided in early 1991, when the Patriot engaged Iraqi missiles during Operation Desert Storm.

Proponents of SDI immediately embraced the Patriot as vindicating their claims for the utility of anti-missile systems. President Bush and others immediately claimed that Patriot had demonstrated the virtually perfect performance that had long been the goal of the Star

### Warriors.

But subsequent analysis by the Army, as well as analysis of the pattern of damage in Israel and of commercial television coverage of the Patriot engagements, suggested an even less optimistic conclusion. As the excitement of the war cooled, it became increasingly apparent that Patriot's actual performance had fallen far short of the initial claims of near-perfection. How far short may be unknowable, given the limited sources of data and the ambiguities of evaluation methodologies. But it is clear that the number of missiles intercepted, rather than being "virtually all," actually ranged somewhere between "some" and "none."

Far from confirming the hopes of SDI advocates, the performance of the Patriot system during Desert Storm thus vindicated initial concerns of skeptics that the performance of anti-missile systems would be degraded by real world problems, including discriminating decoys from real targets, and the abiding unreliability of computer software.

The problem of countermeasures could prove as stressing to the performance of tactical and theater defenses as was the case with strategic defenses. There are a range of relatively simple countermeasures that could readily defeat the even the most capable systems currently planned by BMDO. Such countermeasures are not beyond the reach of countries capable of building their own ballistic missiles, and could prove highly effective against long-range exo-atmospheric defenses.

One of the simplest would consist of replacing the unitary warhead used on Scud-derivative ballistic missiles with multiple bomblets (similar to mortar shells). Instead of a single 1,000 kilogram warhead, such a multiple warhead missile might be armed with eight 100 kilogram bombs, or dozens of 10 kilogram bomblets. Or the missile could be capable of dispensing dozens of canisters loaded with chemical or biological agent. If the object was simply to overwhelm the defense, a precision dispensing mechanism might not be needed. While such submunition warheads would necessarily be too small to be of significant military value, they would still be effective as a weapon of terror, the purpose the Scuds fired against Israel were meant to serve.

Thus the challenge of gaining access to the boost-phase of strategic ballistic missiles which bedeviled Star Wars for the past decade is recapitulated at the tactical and theater level. Just as SDIO found no plausible solution to this problem for strategic defenses, solution at the theater and tactical level may prove equally elusive. The availability of such countermeasures substantially vitiates the case for deploying longer range interceptors such as THAAD. Although THAAD could intercept missiles at nearly ten times the range possible with Patriot, it could not gain access to the boost phase of ballistic missiles, prior to their deployment of multiple warheads.

These problems will certainly continue to plague any theater missile defense system, and



will most certainly compromise the effectiveness and reliability of any ground-based or space based national missile defense. Even the Ballistic Missile Defense Organization acknowledges that near-term NMD technologies which could be deployed in this decade would provide only "moderate protection... against currently existing unsophisticated threats (large warm/cold RVs) "

Such "moderate" protection might be defined as a 90% probability of intercepting 90% of the nuclear weapons fired at the United States. Such high confidence in such high reliability would surpass the performance of other weapon in America's arsenal. But even this would provide small comfort to those who were victims of the residual 10%. There is simply no prospect that the nation's leaders would be well advised to risk the lives of Americans on such odds, nor any prospect that these odds can be improved.

## What about the Russians?

For the foreseeable future, America and Russia will retain large arsenals of strategic offensive forces aimed at each other. Thus the original logic of the ABM Treaty, that reductions in offensive forces require strict limitations on anti-missile systems, remains intact. Although the PAC-3 / ERINT is probably consistent with the provisions of the ABM Treaty, much more capable, longer range systems, such as THAAD and the Navy's Upper Tier, are clearly not compliant with the traditional interpretation of the ABM Treaty, as confirmed in subsequent state practice. And deployment of systems intended to or capable of intercepting ICBMs and SLBMs are clearly banned by the ABM Treaty.

The Bush Administration engaged the Russians in negotiations aimed at loosening or eliminating Treaty restrictions on National Missile Defense and Global Protection Systems to no avail. More recently, the Clinton Administration has sought to loosen the Treaty's restrictions on highly capable theater missile defenses, but thus far these negotiations have proven equally fruitless.

The United States began work on anti-missile technology three decades ago, and we must continue a vigorous program of research to explore the potential contribution of these technologies to our national security, and to guard against potential Russian work in this field. However, the anti-missile systems that could be deployed over the next decade would not be militarily useful or effective, and to refocus ballistic missile defense program on such a near-term deployment is misplaced. Our work on anti-missile technology must proceed in concert with our arms control effort to reduce the former Soviet nuclear threat. We must achieve agreed and verifiable definition of permitted and prohibited development and testing under the ABM Treaty. Deployment of anti-missile systems beyond the ABM Treaty will clearly doom Russian ratification of the START II offensive forces reduction treaty.

The CHAIRMAN. Mr. Perle.

**STATEMENT OF RICHARD N. PERLE, RESIDENT FELLOW,  
AMERICAN ENTERPRISE INSTITUTE, FORMER ASSISTANT  
SECRETARY OF DEFENSE OF INTERNATIONAL SECURITY  
POLICY**

Mr. PERLE. Thank you, Mr. Chairman.

I want to thank you and the committee for inviting me to appear before you as you consider the ballistic missile defense provisions of H.R. 7, National Security Revitalization Act. And I must say it is an impressive turnout and a real tribute to the interest and diligence of the committee.

I first came to Washington nearly 24 years ago to work on precisely this issue—the defense of the United States against ballistic missiles—for Senator Henry “Scoop” Jackson. Scoop was a committed Democrat, but he was also a supporter of ballistic missile defenses.

In those days, the defense of the United States was not inevitably a partisan matter, and it is my great hope, Mr. Chairman, that with these hearings and with new congressional management willing to reconsider old ideas and explore new ones, the urgent need to develop and deploy a defense against ballistic missiles will once again command the bipartisan support that men like Scoop Jackson worked so hard to achieve.

Looking back over the quarter century since Lyndon Johnson first proposed a limited deployment of strategic defenses and looking forward to the proposals in H.R. 7, one is left with an eerie sense of *deja vu*. I say eerie because, as things stand today, we have no capacity whatsoever to intercept ballistic missiles that may be aimed at the United States. None. Zero. We are unable to stop even a single missile, even a missile fired accidentally, even a missile fired accidentally under circumstances in which the perpetrator of the accident did everything he could to help us avert a calamity. We are totally, completely, abjectly vulnerable; and, as the chairman observed, this is not fully appreciated by the general public.

Indeed, Mr. Chairman, one could reasonably argue that, despite breathtaking technological advances in sensors, propulsion, guidance and data processing, we are further than ever from the goal of developing a strategic defense. For despite the collapse of the Soviet Union and the sharp rise and concern about the extent to which its nuclear missiles are under absolute control, an administration policy favorable to strategic defense is at this moment more remote than ever.

Despite the energetic effort of several hostile nations to acquire nuclear weapons and ballistic missiles, despite the difficulty of controlling the missile technologies that will inevitably spread, despite the reasonable expectation of the American people that its elected Government will act prudently to defend them against known threats—despite all this, it is now the official policy of the Government of the United States that America shall remain undefended.

I urge you to change that policy quickly, unambiguously, and unapologetically by adopting into law title II of the Defense Revitalization Act.

The source of the current policy is difficult to understand, much less defend. It is, above all, an intensely ideological policy devised by the opponents of the strategic defense. Opposition to defense is frequently emotional, although the depth of feeling is often masked by claims to practical or budgetary or technical doubts about the feasibility or affordability or effectiveness of specific systems. It is based in part on the now irrelevant but passionately held cold war belief that American strategic defenses would illicit additional defensive deployments by the Soviet Union, thus fueling an arms race and exposing us to greater danger.

This was the view of the opponents of strategic defenses when I came to Washington in 1969 in the midst of the cold war. It was their view when President Reagan announced the strategic defense initiative. And, curiously, the opponents of those years remain the opponents of strategic defenses to this very day.

Everything—everything affecting this antiquated intellectual construct has changed. The cold war is over. The Soviet Union no longer exists. The interaction of offensive and defensive forces, which was never as simple as the critics of strategic defense thought, is radically different today. The efficacy of classical deterrence in these changed circumstances is increasingly questionable. The technical feasibility of effective defenses is immeasurably greater, especially against less-sophisticated threats.

In short, everything is changed except the stubborn ideological opposition to any serious national defense against ballistic missiles. This is an opposition enshrined in an obsolete treaty concluded 22 years ago in a fundamentally different world.

And I would only note in passing John Pike's comment in his testimony, and I quote:

The original logic of the ABM Treaty remains intact, a logic of 22 years ago based on assumptions about the nature of the strategic relationship between the United States and an entity that no longer exists.

It is an opposition perpetuated by an administration that can't bear the idea of picking up where Ronald Reagan left off, which I suppose is why there were repeated references to star wars or taking on the apparatciki from Andrei Gromyko's foreign ministry who cling to their jobs by opposing sensible modifications to the ABM Treaty that would free us and Russia from constraints that leave both the United States and Russia defenseless in a dangerous world.

Another source of opposition to strategic defense is the idea that only a perfect defense is worth having. When the issue was a defense against the massive Soviet missile force, the opposition argued that because even the best possible defense could be prevented, some missiles would always get through, there was no point in attempting any defense at all.

Now that the threat is much smaller—perhaps a handful of missiles or even a single missile fired accidentally—the idea of a partial defense capable of dealing with modest threats ought to appeal to those critics who once claimed to be daunted by the task of defending against thousands of missiles. But they remain unmoved, mired in opposition to any defense, frozen in time, say around 1970.



During the cold war, opponents of strategic defenses argued that deterrence was specific protection because the Soviet Union would not launch an attack to which we could respond with nuclear weapons of our own. But deterrence works in both directions, and in the post-cold-war world in which we live it is vital to our interests and our security that we not be deterred by anyone who manages to acquire a ballistic missile with a nuclear or a chemical or a biological warhead.

Can there be any doubts, for example, that the close vote in the United States Senate to dislodge Saddam Hussein from Kuwait might have gone the other way if Saddam had possessed even a few nuclear armed missiles?

In the seriously mistaken belief that we must now agree on a line separating theater defense systems, which are not limited under the ABM Treaty, from national territorial systems, which are. The administration has embarked upon a negotiation with the Russians that threatens to throttle effective theater defenses in their infancy—in effect enlarging the ABM Treaty to cover theater defenses.

I note that the House leadership has written to the President to ask that he allow the Congress to examine with care the nuances perhaps to which Mr. Dellums referred, the many issues this negotiation raises. This seems to me a reasonable request, one that a President interested in bipartisanship on defense matters would readily grant.

I hope he agrees. But if he does not, I would urge the Congress immediately to legislate against the use of appropriated funds for the purpose of defining lines of demarcation between theater and strategic defenses which can only have the effect of preventing this country from proceeding in a serious and technically sound way to develop those theater defenses.

And negotiation on this subject, Mr. Chairman, is bound to become a quagmire, and that would be true even if there were not plenty of opponents of strategic defense within the administration who are eager to see theater defenses submerged in that quagmire and who will do nothing to steer clear of it.

On this matter our position should be clear and simple. Theater defenses are not limited by the ABM Treaty, and for this reason we are not obliged to discuss our theater defense program with the Russians or anyone else. If the Russians wish to assert that we are developing a nationwide defense in the guise of a theater defense, let them charge us with a violation of the ABM Treaty and prove their case. If and when they do make such an allegation, we will discuss and allay their concerns in the forum provided by the ABM Treaty.

What we would be most foolish to do is to try to gain Russian approval for the performance parameters of theater defenses. Yet that has been the administration's approach until now, and you should know that it threatens our ability to build theater systems capable of defending our men and women on distant battlefields. We owe it to our troops to provide them with the best possible defense against the battlefield missiles that may be aimed at them. To constrain our program in order to strengthen the ABM Treaty

by broadening its scope would be foolish in the extreme, and the Congress should act, if necessary, to prevent this from happening.

Opponents of strategic and theater defense are not at all troubled by the additional constraints on our freedom to develop technically optimal systems that are bound to result from negotiations with the Russians. On the contrary, I believe they view these negotiations as another device by which the prospects of a cost-effective defense might be further diminished.

Mr. Chairman, there is already a wide range of opinion as to the sort of architecture we should adopt in devising systems of national and theater defense. If anything, controversy on this question is likely to increase over time as the technical community debates the relative merits of space-based interceptors or lasers or land-based missiles or space-based sensors and the like. Competing technologies have their adherents and as technology develops opinions will change. This is all good. No one now enjoys a monopoly of wisdom as to the most effective systems or the lowest technical risk or the least-cost solutions to the problems of theater and national defense.

But it is not necessary for the committee to come to conclusions on these and other technical issues in order to go forward confidently to require the Secretary of Defense to tell you how he plans to carry out title II's mandate to end the policy of deliberate vulnerability by developing theater and strategic ballistic missile defenses. And when he comes before you on Friday it will be a miracle if he has answers to these questions because you can't answer a question until you ask it; and, unfortunately, for the last two years at least, no one has been asking the question.

In developing his plans, the Secretary of Defense should consider that, insofar as the ABM Treaty is an obstacle to implementing title II, he should recommend the ways in which the Treaty ought to be changed. There are, after all, provisions for amendment in the terms of the ABM Treaty. They were presumably placed there by men and women who realize that future circumstances might require new approaches. In this they were surely right. We should approach the Russians at the highest levels, with a view to cooperatively amend the treaty to take account of the strikingly different world in which we are now living.

But if the Russians, for whatever reason, should oppose reasonable revisions to the treaty and insist on blocking us from defending ourselves against the North Koreans and the Libyas, the Iraqs, and the like, we should make clear our readiness to withdraw from the treaty under the appropriate article and after the appropriate notice. If we are prepared to withdraw, Mr. Chairman, we should find it unnecessary to do so.

Mr. Chairman, the Congress has it within its power to force a reconsideration of the opposition to ballistic missile defense that prevailed during the last decades of the cold war. It is a new Congress. I believe it is up to the task of new thinking about defense, and your hearing this morning encourages me to believe that antiquated ideas that cannot be made persuasive as we face the new millennium should be relegated to the history of the one that we will leave behind.



In this, let me just say that I was encouraged by Mr. Dellums' statement that we have to—and I am quoting him, I believe: "We have to rethink our fundamental assumptions in the post-cold-war world." And a good place to start would be with the assumption that ballistic missile defense, the defense of this Nation, is somehow inimical to our interests because that was the assumption under which we operated during much of the cold war.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Perle.

[The prepared statement of Mr. Perle follows:]

**STATEMENT BY RICHARD PERLE**  
**Fellow, American Enterprise Institute**  
**Before the Committee on National Security**  
**House of Representatives**

January 25, 1995

Mr. Chairman, I want to thank the Committee for inviting me to appear before you as you consider the ballistic missile defense provisions of H.R. 7, the National Security Revitalization Act.

I first came to Washington nearly 24 years ago to work on precisely this issue--the defense of the United States against ballistic missiles--for Senator Henry M. (Scoop) Jackson.

Scoop was a committed Democrat. But he was also an ardent supporter of ballistic missile defenses. In those days the defense of the United States was not inevitably a partisan matter. And it is my great hope, Mr. Chairman, that with these hearings and with new Congressional management willing to reconsider old ideas and explore new ones, the urgent need to develop and deploy a defense against ballistic missiles will once more gain the bipartisan support that men like Scoop Jackson worked so hard to achieve.

Looking back over the quarter century since Lyndon Johnson first proposed a limited deployment of strategic defenses, and looking forward to the proposals in H.R. 7, one is left with an eerie sense of *deja vu*. I say eerie because, as things stand today, we have no capacity whatsoever to intercept ballistic missiles that might be aimed at the United States. None. Zero. We are unable to stop even a single missile, even a missile fired accidentally, even a missile fired accidentally under circumstances in which the perpetrator of the accident did everything he could to help us avert a calamity. We are totally, completely, abjectly vulnerable.

Indeed, Mr. Chairman, one could reasonably argue that, despite breathtaking technological advances in sensors, propulsion, guidance and data processing, we are further than ever from the goal of developing a strategic defense. For despite the collapse of the Soviet Union and the sharp rise in concern about the extent to which its nuclear missiles are under absolute control, an American policy favorable to strategic defense is more remote than ever.

Despite the energetic effort of several hostile nations to acquire nuclear weapons and ballistic missiles; despite the difficulty of controlling the missile technologies that will inevitably spread; despite the reasonable expectation of the American people that its elected government will act prudently to defend them against known threats--despite all this it is now the official policy of the Government of the United States that America shall remain undefended.

I urge you to change that policy quickly, unambiguously and unapologetically by adopting into law Title II of the Defense Revitalization Act.

The source of the current policy is difficult to understand, much less defend. It is, above all, an intensely ideological policy devised by the opponents of strategic defense. Opposition to defense is frequently emotional, although the depth of feeling is often masked

by claims to practical or budgetary or technical doubts about the feasibility or affordability or effectiveness of specific systems. It is based in part on the now irrelevant but passionately held Cold War belief that American strategic defenses would elicit additional offensive deployments by the Soviet Union, thus fueling an arms race and exposing us to greater danger. This was the view of the opponents of strategic defenses when I came to Washington in 1969 in the midst of the Cold War and, curiously, the opponents of those years remain the opponents of strategic defense to this very day.

*Everything* affecting this antiquated intellectual construct has changed: the Cold War is over, the Soviet Union no longer exists, the interaction of offensive and defensive forces (which was never as simple as the critics of strategic defense thought) is radically different today, the efficacy of classical deterrence in these changed circumstances is increasingly questionable, the technical feasibility of effective defenses is immeasurably greater (especially against less-sophisticated threats)—in short, *everything* is changed except the stubborn, unthinking, myopic opposition to any serious, national defense against ballistic missiles.

This is an opposition enshrined in an obsolete treaty concluded 22 years ago in a fundamentally different world. It is an opposition perpetuated by an Administration that can't bear the idea of picking up where Ronald Reagan left off or taking on the *apparatchiki* from Andrei Gromyko's foreign ministry who cling to their jobs by opposing sensible modifications to the ABM Treaty that would free us and Russia from constraints that leave us both defenseless in a dangerous world.

Another source of opposition to strategic defense is the idea that only a perfect defense is worth having. When the issue was a defense against the massive Soviet missile force, the opposition argued that because even the best possible defense could be penetrated ("Some missiles will always get through") there was no point in attempting any defense at all. Now that the threat is much smaller—perhaps a handful of missiles or even a single missile fired accidentally—the idea of a partial defense capable of dealing with modest threats ought to appeal to those critics who once claimed to be daunted by the task of defending against thousands of missiles. But they remain unmoved, mired in opposition to any defense, frozen in time, say around 1970.

In the seriously mistaken belief that we must now agree on a line separating theater defense systems, which are not limited under the ABM Treaty, from national territorial systems which are, the Administration has embarked on a negotiation with the Russians that threatens to throttle effective theater defenses in their infancy.

I note that the House leadership has written to the President to ask that he allow the Congress to examine with care the many issues this negotiation raises. This seems to me a reasonable request, one that a President interested in bipartisanship on defense matters would readily grant. I hope he agrees. But if he does not I would urge the Congress to legislate against the use of appropriated funds for the purpose of defining lines of demarcation between theater and strategic defenses. A negotiation on this subject is bound to become a quagmire—and that would be true even if there were not plenty of opponents of strategic defense within the Administration who are eager to see theater defenses submerged in a quagmire and who will do nothing to steer clear of it.

On this matter our position should be clear and simple. Theater defenses are not limited by the ABM Treaty and for this reason we are not obliged to discuss our theater defense program with the Russians or anyone else. If the Russians wish to assert that we

are developing a nationwide defense in the guise of a theater defense, let them charge us with a violation of the ABM Treaty. If and when they do make such an allegation we will discuss and allay their concerns in the forum provided for in the ABM Treaty.

What we would be most foolish to do is try to gain Russian approval for the performance parameters of theater defenses. Yet that has been the Administration's approach until now, and you should know that it threatens our ability to field theater systems capable of defending our men and women on distant battlefields. We owe it to our troops to provide them with the best possible defense against the battlefield missiles that may be aimed at them. To constrain our program in order to "strengthen" the ABM Treaty by broadening its scope would be foolish in the extreme and the Congress should act if necessary to prevent this happening.

Opponents of strategic and theater defense are not at all troubled by the additional constraints on our freedom to develop technically optimal systems that are bound to result from negotiations with the Russians. On the contrary, I believe they view these negotiations as another device by which the prospect of a cost-effective defense might be further diminished.

Mr. Chairman, there is already a wide range of opinion as to the sort of architecture we should adopt in devising systems of national and theater defense. If anything, controversy on this question is likely to increase over time as the technical community debates the relative merits of space-based interceptors or lasers or land-based missiles or space-based sensors, and the like. Competing technologies have their adherents and as technology develops opinions will change. This is all to the good. No one now enjoys a monopoly of wisdom as to the most effective systems or the lowest technical risk or the least-cost solutions to the problems of theater and national defense.

But it is not necessary for the Committee to come to conclusions on these and other technical issues in order to go forward confidently to require the Secretary of Defense to tell you how he plans to carry out Title II's mandate to end the policy of deliberate vulnerability by developing theater and strategic ballistic missile defenses.

In developing his plans, the Secretary of Defense should consider that, insofar as the ABM Treaty is an obstacle to implementing Title II, he should recommend the ways in which the Treaty ought to be changed. There are, after all, provisions for amendment in the terms of the ABM Treaty. They were presumably placed there by men who realized that future circumstances might require new approaches. In this they were surely right. We should approach the Russians at the highest levels with a view to cooperatively amending the Treaty to take account of the strikingly different world in which we are now living.

But if the Russians, for whatever reason, should oppose reasonable revisions to the Treaty and insist on blocking us from defending ourselves against the North Koreans, Libyas, Iraqs and the like, we should make clear our readiness to withdraw from the Treaty under the appropriate article and after the appropriate notice. If we are prepared to withdraw, we should find it unnecessary to do so.

Mr. Chairman, the Congress has it within its power to force a reconsideration of the opposition to ballistic missile defense that prevailed during the last decades of the Cold War. It is a new Congress. I believe it is up to the task of new thinking about defense, and your hearing this morning encourages me to believe that antiquated ideas that cannot be made persuasive as we face the new millennium should be relegated to the history of the one we will leave behind.



The CHAIRMAN. Consistent with our ground rules, do any of you have comments to make on the statements issued by the other panelists?

Mr. PERLE. I would make only one very brief observation.

John Pike referred to the Director of the Defense Intelligence Agency's assessment of the threat emanating from ballistic missiles that might be aimed at the United States, and he quoted him as saying that they could detect no interest in reaching the United States for the next 10 years. But the committee should be aware that if we are to have a defense in place 10 years from now, we better get started today because it will be too late to start when the threat is upon us, even if one accepts that it is 10 years away, and it may not be nearly as far away as that.

The CHAIRMAN. Anybody else? Yes, Mr. Pike.

Mr. PIKE. I would just like to make a couple of responses.

Steve Hadley was raising questions about the existence of nondeterrable threats and was citing Saddam Hussein as someone who is not deterred from using Scuds.

I think there were at least two other circumstances of questions of the functioning of deterrence in Desert Storm. The first was when April Glaspie declined to give deterrent threats to Saddam Hussein about how we would respond to him going into Kuwait to begin with. Deterrence failed there because it was not attempted.

However, during Desert Storm I think that we had a very clear example of the success of deterrence because, prior to that time, responsible officials in Israel and the United Kingdom and France and the United States all indicated that if Iraq initiated the use of weapons of mass destruction, such as chemical weapons, known to be in his stockpile, that he would deeply regret the consequences.

Saddam Hussein had a substantial chemical warfare capability, but as best as people have been able to determine he did not employ that capability because he clearly understood that he would come out on the short end of the stick if he tried to do. So, I think that the proposition that Saddam Hussein stands as a nondeterrable threat is one that is clearly denied by the historical record.

Mr. PERLE. But, surely, Mr. Chairman, if John Pike wishes to take that position, he should explain whether we would have moved half a million men from the United States to the Kuwait theater if Saddam Hussein had been in possession of a ballistic missile with a nuclear weapon and we, as we now are, were completely vulnerable to that missile. We can be deterred, too; and indeed there are circumstances in which we would be wise to be deterred.

Mr. PIKE. And I think that that really is the fundamental issue that is before this committee, before the Congress and before the American people today, the question that I think we are going to have to answer—and reasonable people may come to reasonably different answers to that question.

The question is, is there any prospect that a ballistic missile defense system will be so highly effective and that we will have such high confidence in that effectiveness, that the Commander in Chief would be prepared to recommend a course of action based on the



possession of that ballistic missile defense system that would otherwise be regarded as being excessively risky?

That is to say, will anyone be prepared to go into the Oval Office or the situation room and say, Mr. President, I know that Tyranistan has nuclear weapons that can reach us but don't worry, we have got the magic peace shield where, regardless of what Tyranistan tries to do, the worst that would happen is the American public would be able to go out in the backyard and have a little light show as star wars was intercepting the nuclear weapons, and we could go on ahead and proceed as though those nuclear weapons did not exist.

I think that the big lesson that we got out of Patriot and Desert Storm is that, while a ballistic missile defense system might work some of the time, the proposition that it is going to certainly work all of the time is simply not within human power, and that says to me that the President is going to be no more disposed to take risks having that system than by not having that system.

The CHAIRMAN. Mr. Hadley, I think you had—

Mr. HADLEY. No, Mr. Chairman, I think it is time for us to hear from the committee.

The CHAIRMAN. Thank you. I am going to reserve my questions for later, and I will recognize Mr. Dellums at this time.

Mr. DELLUMS. Thank you, Mr. Chairman.

I know under the custom of how we proceed, we have always granted each other an unlimited amount of time to ask questions. I don't choose to exercise that option right now. I would like to come back later, but I am compelled to make a couple of observations to Mr. Hadley and to Mr. Perle.

First to you, Mr. Hadley, I would stipulate that you know how to handle the English language. I would appreciate if you would stipulate that I also know how to handle the English language.

When I asserted that this is an effort to accelerate development and deployment, I meant just that. In fiscal year 1995, in the appropriation bill, \$2.9 billion was appropriated for this function—no small amount of money, \$2.9 billion. Four hundred million of those dollars were for the development of a national defense system, \$120 million for Brilliant Eyes, the bulk of it for theater ballistic missile defense.

We are placing a significant amount of money into this function, so let us not—let the word not go forward here that somewhere we are not spending resources engaging in significant research to develop theater ballistic missile defense. In my opinion again I would assert aggressively that title II is an effort to accelerate development and deployment.

Now, with respect to the Missile Defense Act that we negotiated and developed in fiscal year 1991 and amended in 1993 and 1994 calls for the adherence to the ABM Treaty while developing and maintaining the option to deploy a highly effective U.S. ABM Treaty. Whether we agree or disagree as to whether that is a correct or fanciful idea, that is the fact. That is the law. It directs the development of advanced theater defenses and, third, it urges negotiation of ABM Treaty amendments that would clarify the distinction between theater and strategic missiles.

So the fact of the matter is that over the last 2 years we have spent an average of about \$3 billion to engage in this function. So to assert in some way that we are not doing anything about it is to belie the reality. It does not comport well with reality.

Second, Mr. Perle, I have always been appreciative, whether you and I agree philosophically or not, with the fertile nature of your mind and that I would accept and stipulate that you are a thoughtful human being as you present your advocacy. That is the nature of this process, that when we reach the marketplace of ideas that we are prepared to engage each other substantively.

So I will sit here and listen with rapt attention to your thoughts whether I agree with you or not because I am prepared to stipulate that, as a person on the other side of the issue, that at a bare minimum I have to give you the benefit of being a thoughtful human being. But when you use terms like stubborn, ideological and emotional opponents, then you don't in fact stipulate that there are those of us who happen to be on the other side who can equally be thoughtful, reserved, intelligent, rational, that carry out our fiduciary responsibilities with a great deal of interest and concern.

I happen to take the contract that I have with the residents of the Ninth Congressional District with profound and deep appreciation and responsibility, so it is not simply about being emotional or ideological.

This is not the first time, sir, that I have talked about rethinking. I have always been willing to engage. When you were in the administration several years ago, I had no problem engaging you. I have always attempted to assert myself thoughtfully and am prepared to debate you in the free marketplace of ideas. And let's have at it and let the American people determine whether there is efficacy in your ideas or ours.

But to reduce us in some way to irrational, stubborn, non-thoughtful persons is to burlesque the process and to disrespect people who are adversaries on the other side of the issue. I don't choose to do that to you. I would hope that you would not do that to us.

Final point and something that I hope you folks would address here. There is probably more likelihood that if we are going to experience some kind of ballistic missile explosion in the United States that it would not come from some Third World country across the horizon, even if we have the technical capability to knock it out. Because, if the other guy is rational, the response would be to annihilate and obliterate them within a matter of minutes because that would be the response of this country.

The greater likelihood would be that it would come in on a plane with a bale of marijuana or cocaine or that it would be backpacked into the United States or brought in here piece by piece and assembled in some tall building in the United States and exploded. That is the greater likelihood.

But none of these billions of dollars that you contemplate spending can in any way defend us from that kind of atrocity, and so it seems to me that if you want to talk about a flight into fantasy, I agree with Mr. Pike, that perhaps the greatest flight into fantasy is to give American people the false assumption that you can create

some extraordinary umbrella that can defend them against terrorist acts.

You are assuming a great rationality here, but how do we defend against backpacking? How do we defend against other non-controversial ways of delivering weapons into this country or someone just coming in on a cruise boat?

Look at what comes here that we can't detect that has created a major problem in this country. So how can one assume that those very same vehicles and very same avenues would not be used if some twisted and distorted mind decided to explode a nuclear device in the continental limits of the United States?

So to spend billions of dollars putting this big shield over the United States is, in my opinion, a flight into fantasy, and I think that we can sit here scientifically, technologically as well as intellectually to discourse on these matters.

All I was attempting to assert earlier, Mr. Perle, is that you are right. We are in the context of a post-cold-war world, and old paradigms don't fit. Old labels don't fit. What was right sounds left. What was left sounds right. And maybe the only thing that is the same is the people hanging in the middle.

So I think we have to put all that off the table and be prepared to sit down and grapple with each other on an intellectually honest basis and a respectful basis and arrive at some thoughtful conclusion.

You can't do that with a contract that says in 100 days let's speed this thing through when you have got treaty compliance obligations, billions of dollar implications, priority implications. I don't think that that is a thoughtful, feasible, dignified way to engage in carrying out the fiduciary responsibilities that we all had when we got elected and raised our hand to uphold the Constitution of the United States.

That is all I am saying. Whatever the decision is, I am prepared to live with that, but let the democratic process be honest. Let the process have dignity and integrity. That is all that I am trying to say.

So, Mr. Hadley, I assert my point that this is an effort to accelerate. I think I know how to handle the English language.

Mr. Perle, I am prepared to stipulate the fertile nature and the creative nature and the thoughtful nature of your mind in your presentation. I hope you are prepared to do the same with us.

Mr. Pike, I appreciate the nature of your presentation. I think it was thoughtful and discerning and assertive. Whether it will succeed in the order of things today, I wouldn't bet any money on that, but that is not to say that I don't think that there is superiority in the nature of your thoughts and your ideas today, and I would reserve the balance of my time. If the gentlemen would like to comment on that, fine, but I just took those notes; and I felt compelled to make those responses.

Mr. HADLEY. Mr. Dellums, if I might respond, I was trying in my comments to make a different point, to point out what I think is a difference between the program that the administration is pursuing now and the program as we left it at the end of the Bush administration.



That program at the end of the Bush administration had research dollars for national missile defense, but it also had a plan for putting procurement dollars. It had deployment dates. It was a plan that contemplated and funded the notion that you were actually going to develop, procure, and deploy a system.

As I understand what Secretary Perry has said publicly, he says we have cut off the last part. We are still putting money into national missile defense, but it is only research money. We do not now have a plan in place to go from research to procurement to deployment by some kind of date in the future.

That was the point I was trying to make. As I understand it, there is a different approach now under this administration than the last, and you will have an opportunity to see if I am right when you speak with them on Friday.

Mr. DELLUMS. Thank you.

Mr. PERLE. Mr. Dellums, if I left the impression of a personal attack, I certainly want to correct that immediately. In my experience over many years you have always been fair and rational, and I have enjoyed the many occasions we have had to discuss policy issues.

What I was referring to is the extraordinary persistence of an opposition to ballistic missile defense that seems unchanged, even though all of the circumstances and all of the arguments of the last quarter century have now changed and changed radically. So the people who were against the deployment of the safeguard ballistic missile defense in 1969 when I first came to Washington are against the deployment of even a limited defense today. The arguments they made then are no longer relevant, so there is now a new set of arguments.

But the thing that has not changed in all of that time is the vehemence of the opposition. And when I refer to the emotional quality of it, I have never seen a debate that has taken place over such a long period of time that has engaged such passion on the part of the scientific community, on the part of policymakers of all persuasions and all parties.

Somehow the question of ballistic missile defense excites most extraordinary passions, and that is what I was trying to get at because it seems to me that those opponents of ballistic missile defense who were persuaded during the cold war that an American defense deployment would only be met by an increased Soviet offense deployment and we would be left in a worse situation, which was the principal fundamental argument of the opposition, that is no longer relevant. I think we would all agree on that.

Yet the same roster of opponents—and I am talking about the architects of these policies, not about legislators—are as opposed to ballistic missile defense today as they were then.

Mr. PIKE. And, Richard, you are just as in favor of it as you have been for the last 25 years, and I am just as against it. It is our job respectively, I think, as we are continually confronted with new technological opportunities and new political circumstances for you to come out and tell us why it is a good idea and for me to come out and tell us why it is a bad idea and for the Congress to judge it and for the American taxpayer to judge it.

I find nothing odd that you still like it and that you are persistent and that your position is unchanged on this, and so I find nothing odd that I would continue to be persistent, either.

Mr. PERLE. But if I could draw one important distinction. It seems to me quite natural to want to defend against known threats. And we have a defense budget—it is a sizable defense budget even in its current diminished state—that attempts to comprehend the range of threats that we must face and devise ways of dealing with them.

There is one threat that a persistent group has never been prepared to deal with and that is the threat from ballistic missiles under any set of circumstances. My view has always been that where we can define a threat, where we can devise ways to deal with it, we ought to do so, so long as it is technically and financially responsible.

Mr. Dellums is quite right in referring to the unconventional threats that are extremely difficult to deal with. My sense is if you put a bomb in a bale of marijuana you would never find it coming into the country, the best place to hide it.

And I think we need to deal with unconventional threats and that I think is best done through vigorous intelligence work. But to try to deal with 90 percent of the threats that we face and rule 10 percent out of bounds for ideological reasons seems to me really quite foolish.

I understand the argument, an argument about priorities, and I understand an argument about technical feasibility, and I understand arguments about the wisdom of ballistic missile defense versus other things. What I don't understand is the notion that ballistic missile defense is inherently undesirable, and yet that has been the premise of much American policy in recent years.

Mr. DELLUMS. Thank you.

The CHAIRMAN. I think we can all agree that we have disagreed this morning. We are going to revert to the 5-minute rule now; and I recognize, first of all, Mr. Hunter from California.

Mr. HUNTER. Thank you, Mr. Chairman.

You know, I agree with all those who have said that this is an exercise in prioritization, and I think that is the point of the title II of H.R. 7 of the National Security Act that is part of the majority's agenda, if you will, and that is—that states it shall be the policy of the United States to deploy at the earliest possible date an antiballistic missile system that is capable of providing a highly effective defense of the United States against ballistic missile attacks and provide at the earliest possible date highly effective theater missile defenses to forward deploy expeditionary elements of the armed forces of the United States and to friendly forces and allies of the United States.

The point is that the majority in Congress, taking its cue from the American people, is setting a priority; and the priority, in the full context of all of the national issues and programs that relate to defense that Mr. Dellums walked through—quality of life for personnel, modernization of conventional systems, et cetera—in light of those missile defense is important to the American people.

And, Mr. Pike, let me take you on a little bit, in the same vein that Mr. Dellums took on Mr. Perle. You have used the word "star



wars" a number of times. You lead a very distinguished group of scientists. Star wars is a derogatory term which has had an effect in the debate of putting a label over the debate and keeping the American people ignorant of the real issue. And that ignorance is manifested in any focus group you want to have around the country, such as the one Mr. Spence had, where a number of average Americans are asked do you believe in defending America against missile attacks, and they say, why, sure. I thought we were able to do that already.

So it is ironic that a group devoted to enlightening the American people has succumbed, I think, to a political mode, and that is of putting a bumper strip star wars over the idea, this whole debate as to whether or not you defend yourself against incoming ballistic missiles.

So I remember—and I think that was carried to its apex by Walter Mondale, who stood in San Francisco and stated, "I will not engage in war in the heavens," finally, I guess, bringing God into the debate on the side against SDI.

But I am sure that when Mr. Mondale saw our Patriots having some limited success against Scuds in the Middle East he would have said at that point, dropping his political hat, his Democrat hat, at that point, "thank heavens."

And so I would ask you to respond when I finish my question here on that point. Why don't we address this idea that we live, yes, in an age of missiles—

And along those lines I have today's Reuters news story. It says, Moscow today, 9 o'clock, Russian air defenses Wednesday shot down a missile, apparently from a country in northern Europe, Interfax News Agency said, quoting an informed source in Moscow. This agency quoted the source as saying the missile, which was violating Russian air space, was destroyed at 10:30 a.m. That may or may not have occurred.

Mr. DELLUMS. Would the gentleman yield briefly on that? I have an update.

Mr. HUNTER. I would be happy to yield to my friend.

Mr. DELLUMS. Norway fired a missile. It went down on its own territory—no Russian involvement. I thank the gentleman for yielding.

Mr. HUNTER. I thank the gentleman for updating me on that. And we didn't have the final facts, but the point is this: That if Russia had shot down that missile, to me that was a far better outcome to that particular situation than a retaliatory strike against a nation that had actually fired a missile or one that the Soviets had perceived had fired a missile.

So the idea that a pejorative term such as "star wars" that has been used by the anti-SDI forces, I think, has done a disservice to the debate.

And let me ask you a couple of questions, Mr. Pike.

First, I want you to respond directly to the question—I think Mr. Perle touched on it—to the effect that if you have our intelligence sources saying we don't think there is going to be a ballistic missile capability, ICBM capability against the United States until maybe a decade, why isn't it—and you have already yourself said it is

going to take a long time to develop anything that has a high-quality capability in terms of antimissile defense, why not start now?

Second, with respect to the idea of not developing a defense, we all understand that the ABM Treaty was linked inextricably with mutually assured destruction. We acknowledged and accepted in that agreement that the Soviet Union had the ability to destroy the United States with nuclear weapons. So the question comes to us now, are we willing to replace the Soviet Union with another nation? Are we willing to allow a China, a North Korea, or a Third World nation today to accede to the position of the Soviet Union in which we must concede their ability to destroy the United States?

That was a very unsettling presumption that we were forced to proceed upon because it was a fact, and that was the underpinnings of the ABM Treaty.

Last—just one last question, Mr. Chairman, since Mr. Dellums got to give me my news update. Maybe that took a few seconds. But this debate has changed a little bit because the Democrats today have conceded that theater defenses—that is, the ability to shoot down the slower moving ballistic missiles—is a sound idea. Now if that is true, why doesn't it make sense to be able to handle faster ballistic missiles because there is no drop-off between theater? And, in fact, that is part of the problem with the debate today. There is no clear distinction. It is a matter of speed and reentry angle and other things, but you are basically talking about slow missiles versus fast missiles.

And, last, our presumption in defending our troops in wartime, Mr. Pike, is that you understand that some of them are going to die and that no defenses are perfect, but we do our damndest to defend our troops in theater with every capability possibility. Why doesn't that compel us in this age of missiles to accelerate this program which has been cut to one-fifth what it was on the national level and by about 70 percent in the theater ballistic level? And if that is true, that it makes sense to defend your troops in theater against missile attacks, why doesn't that apply also to the citizens of the United States?

Mr. PIKE. I think I counted seven questions in there. I will try to cover all of them, as many as I can recover from my notes here.

In terms of why we continue to call star wars star wars, I recall that that was originally controversial back in 1983 or 1984. But James Abrahamson, the first Director of the Strategic Defense Initiative Organization, wrestled with that question for a little while and finally decided that he liked the star wars appellation because, from his perspective, the good guys won.

Subsequently, you had the Strategic Defense Initiative Organization promulgating programs such as Skywalker, which was an airborne laser, which the Phillips Lab has recently revised. There was a program that they called Jedi, which was the guided exoatmospheric defense interceptor. So with the strategic defense initiative program talking about Skywalker and Jedi and with the first Director of that program embracing the star wars appellation, I think I am simply going along with what the authors of the program had in mind.

In terms of the question of accidental launch, certainly this is something that deserves some consideration; and, as a result, recently the United States and Russia agreed to detarget their ballistic missiles so that in the event that there was an accidental launch that the missiles would be headed out to the open ocean. I think that that is probably about the extent of the response that seems to be appropriate, given that the actual experience that we have in the real world is that it is far more likely that the missile will not launch when it is supposed to rather than it will sort of leap unbidden out of its silo and go racing off toward Moscow or Washington.

I would like to try to clarify exactly where my understanding is of the Clinton administration on the question of the time line for deploying ballistic missile defense systems. While it is true that the administration does not currently have a commitment to deploy something within the next decade, my understanding from testimony last year is that they do plan a series of epochs which have deployment options on a nearer term basis than that in the event that there is a greater-than-expected threat.

Under the current plan, they say that they would be able to deploy something 4½ years from now if the need were to arise. More effective defenses, in their estimation, could be deployed subsequently to that.

So I think that it is not a question that we have no plans to deploy a system. It is simply that in the relevant time frame there is no perceived need to do so.

In terms of replacing the Soviets with the North Koreans, I am basically reminded of a saying that my mother pounded into my head when I was a child, which was to ask the Lord for the strength to change the things that I can change, the patience to endure the things that I can't, and the wisdom to know the difference. And I think that the real challenge that we have had in the ballistic missile debate in general—the national security debate in general—is to understand the difference between the things that we can change and those that we are simply going to have to endure.

And in the case of the ability of potentially hostile nations to attack the United States, there are some things that we can do to change that, such as maintaining a deterrent posture, and there are other things that apparently we are simply going to have to endure.

And in terms of what we can do to protect our troops on the battlefield, there are obviously a lot of things that we can and should be doing, but I would note that we simply have no program in place today to intercept artillery shells or mortar shells after they have been fired at our troops, reasoning that counter battery fire is going to be a far more effective means of doing that.

I don't see anyone getting up and saying that we need some sort of initiative to shoot down artillery shells after they have been launched. I don't see anybody advocating that we should be able to shoot bullets at bullets once they have been fired at our soldiers. And I think that, by extension, hitting bullets with bullets is just the same in the case of ballistic missile defense. There are simply far more effective, less expensive ways of dealing with it.

Mr. PERLE. Could I comment just briefly?

It is really quite wrong to say we do nothing to defend our troops in the field against artillery or against bullets. That is what armor is.

Mr. PIKE. That is not what I said. I said we don't try to shoot down an artillery shell after it has been fired. We do a lot of other things that are more effective.

Mr. PERLE. Because there are other means of defense. We are limited, obviously, in our capacity to intercept an artillery shell. If we had a means of doing so, it might well be worth considering. What we can do is provide armor, provide greater range, and do other things that are intended to protect our troops.

Mr. PIKE. As we should be doing with—

Mr. PERLE. What John Pike is saying here is, with respect to ballistic missiles, we have to endure. He doesn't explain why we have to endure. He says we have to submit and accept that we will inevitably be destroyed, and we can do nothing about it.

The CHAIRMAN. Maybe we can look into intercepting the shells and bullets, too, while we are at it. I would be in favor of that if it would help.

Let's recognize Mr. Montgomery from Mississippi.

Mr. MONTGOMERY. Thank you, Mr. Chairman. I think probably we are going to have to come up with some rules on the 5-minute time for members.

The CHAIRMAN. I appreciate all advice and help I can get from the gentleman.

Mr. MONTGOMERY. In other words, you want me to stay within my 5 minutes. I will speed up my talk.

I think maybe 5 minutes—maybe 4 minutes and then a minute for the witnesses to answer would be fairer to the people here today. Is that all right?

Mr. HUNTER. General, let me apologize to my colleagues for giving such a long, long question, especially you, General Montgomery. I am still part of your brigade.

The CHAIRMAN. I thank you for helping us solve that problem.

Mr. MONTGOMERY. Do I have any time left?

Well, briefly, what concerns me is about the additional \$25 million for SDI. We are cutting the military budget too much. I don't like it. When you continue to cut you have to find ways to get within the budget, and other programs are hit.

I assume President Clinton knew what he was talking about last night when he said no Russian missiles are aimed at the United States today. I hope he is right.

I know that Mr. Perle and Mr. Hadley are saying, well, some day this will happen. And maybe it will, but we don't have the money to do every program is my point. As Mr. Dellums said, \$2.9 billion is being spent in 1995 on the missiles, on national missile defense and also on brilliant eyes and in the theater missile defense, \$2.9 billion, \$3 billion, so we are spending something.

Now my problem is, if we pass this, we have to—we are instructed, I guess, by this H.R. 7—we will have to find the money somewhere under the authorization. So I worry about what are the priorities.



My priorities, which is in H.R. 7, the enlisted men's salaries will be increased to match private enterprise over the next few years. If you do the \$25 billion, can you come up with money to bring up these salaries?

A number of reserve officers are out here today, the ROA, the National Guard. We turn more missions over to them. They need equipment. That is a priority for me over star wars.

And then we will have to close some military bases if we keep adding such as what we are talking about here, and you have to close more bases if you don't get within the budget. And I am concerned about that. That is jobs. So my question to you is, is this a priority over what I just mentioned about Guard and Reserve, equalizing the pay for soldiers, closing more military bases?

Mr. PIKE. I think the answer would have to be no. The national security budget is, basically, a form of insurance, and I think that at the end of the day there are some things that we need insurance for and other things that we have to recognize that we are going to remain uninsured against. Given the priorities that we have for the national security commitments today, given the other priorities of the Federal Government, I think at the end of the day that this is basically something that we simply can't afford.

Mr. HADLEY. I guess I would say I think this is a matter of priorities, and I read H.R. 7 as an effort to move up the priority of ballistic missile defense. And in some sense there are two ways to find the money. You can look at things which in your view are higher priority—and I might agree with that—but you have got a defense budget that is between \$250 and \$300 billion, and I would sort of turn it around and see if you can't find some other dollars in there that really do not have the kind of contribution to national defense that some fairly modest additional dollars on ballistic missile defense would.

Congresswoman Fowler, for example, had an article which suggested there was money in the defense budget for basically non-defense purposes. I think you may find things that have a higher priority in terms of the defense budget. I think what you need to be looking at are things which have a lower priority that are in the defense budget. I think the kinds of dollars we are talking about to make some down payments on having some options could be fairly modest.

Mr. PERLE. I think one could, Mr. Montgomery, fund much of what is needed out of, say, the peacekeeping elements of the Defense Department budget which are in some cases of really dubious utility to the United States and even to the task of peacekeeping. But there was in the 1993 budget \$4.6 billion in programs that are really not defense programs, and this is a trend that, as you know, is continuing. And you can certainly go after—you could fund the entire program out of the nondefense elements of the defense budget, leaving your other defense priorities intact.

The CHAIRMAN. The Chair would like to make a point, since we are discussing the cost of deployments of such a system, that H.R. 7 doesn't deal with the cost right now. It calls upon the administration to look into the deployment of the system and report back to us in 60 days. The kind of system and what it would cost could be set at a later date.



I would like to recognize the gentleman from Maryland, Mr. Bartlett.

Mr. BARTLETT. Thank you very much. Thank you, Mr. Chairman, for convening this very important panel and thank you, members of the panel.

Mr. Hadley, thank you very much for your thoughtful, historical perspective; and thank all of you for your presentations. I have two questions of Mr. Pike and one of Mr. Perle.

Mr. Pike, in your testimony you said that there is simply no prospect that such defenses are needed. In light of the fact that North Korea, Iraq, Iran, China, India, Pakistan either have or will shortly have nuclear weapons and the ability to deliver them, in light of the fact that the second, third, and fourth largest nuclear powers in the world are now states that were once a part of the U.S.S.R., it seems incredible to me that one would make a statement like that.

You also say that there is no prospect that highly effective defenses are achievable. When you made that observation I thought of Henry David Thoreau when he was lamenting the harm that he thought the industrial revolution was doing to our environment. He observed that if man could fly, he would probably lay waste to the skies.

And I would submit, sir, that it is less a leap of faith today with all of the technological advancements we have that we could achieve a highly effective defense against ballistic missiles, that that requires less of a leap of faith than Henry David Thoreau when he said that if only man could fly, he would lay waste to the skies.

And, Mr. Perle, you have made the observation now that the threat is much smaller. I wonder, do you mean by that that the probability that there will be a massive launch of weapons is much smaller? Because certainly the 27,000 nuclear weapons in the Soviet Union are still as deliverable to this country as they ever were.

It is my understanding that in all of the economic problems they have that there is little decrement to the strategic elements of their defenses or of their offense. Or do you mean that there is less probability that that would happen? I think in today's world it is probably more of a probability than it was during the cold war when those who held missiles and nuclear weapons were much smaller in number, we knew who our enemy was, and we were effectively all that there were with England and France who were essentially with us.

And I would just like your comment on that. Thank you very much for your testimony and I look forward to your answers.

Mr. PIKE. In terms of the question of perspective, additional threats capable of reaching the United States, I think that, given the relatively rudimentary state of rocketry in most of the countries you mentioned, that simply from an engineering perspective there is no prospect that they would be able to go from a Scud to an ICBM in, say, the next 10 or 15 years.

Really, at this point in time, about the only two countries that have either the technological or financial resources to develop an ICBM capability above and beyond those that currently possess it are Japan and India. And the last time I looked, Japan and India

were countries that were basically friendly to the United States, and it is a little difficult for me to understand the circumstances under which Japan would threaten nuclear annihilation of the United States because of some disagreement over our balance of trade or India would be threatening nuclear annihilation of the United States because of some disagreement over import of Indian computer software.

Mr. BARTLETT. Excuse me, sir, are you discounting——

Mr. PIKE. So I think at this point we are basically looking at the countries that don't like us can't get to us, and the countries that might be able to get to us like us.

Mr. BARTLETT. Sir, are you totally discounting the possibility of missiles coming from what used to be the Soviet Union?

Mr. PIKE. No, I am not, and I think the Clinton administration has taken some major initiatives to stabilize the Russian aerospace complex to provide alternative forms of employment, alternative commercial opportunities for the Russian aerospace complex. And preserving that capability in Russia rather than allowing it to dribble out overseas is going to be far more effective in diminishing that threat at a fraction of the cost of deploying a ballistic missile defense system.

If we did deploy such a ballistic missile defense, I would say, apart from the fun that Richard and I have had over the years jousting over ballistic missile defense and making debating points, I think that it is incumbent upon all of us to ask ourselves is this something that we would really have such confidence in, that we would have such confidence in its reliability that we would be prepared to bet the country or to bet Washington or to bet New York City that it would actually work. You are talking about a system that is going to be running Windows 95 on Pentium processors, and I would say that, on the basis of our recent experience with those, we would be unwise to bet the country on it.

Mr. PERLE. I need hardly point out what a glib answer that was on both points.

I mean, first of all, I don't believe you can sensibly exclude the possibility that missiles developed and deployed in the former Soviet Union might go astray. And despite the effort to find a few jobs for a few Russian aerospace engineers, this has to be a matter of concern. It is a matter of concern. And the fact is we don't have and cannot have in place a program that will give us high confidence that somebody will not seek to get rich by selling a missile to an Iran or another country that wishes to buy one.

We don't even know whether the Chinese can be counted upon not to sell their missile technology more broadly than they have done so already. And they have done so already. There are Chinese weapons in Iran. We know that.

And one of the issues that really shouldn't be in dispute is the near certainty that in the next decade there will be a diffusion of missile technology and the technology for weapons of mass destruction, nuclear, chemical, and biological, and I think it is foolish to deny that that is a very real prospect.

I believe that no matter how hard we try in the end we will prove unsuccessful in diminishing the threat to the vanishing point, but if the threat is one based on a stolen or clandestinely ac-

quired missile or a primitive technology, that is precisely the kind of threat that we can best expect to deal with with a limited defense.

In the days of the cold war, the argument was that the Soviets could overwhelm our defense no matter how hard we tried. And, while there was debate about that, it was not a silly argument, that they could always exert an additional effort.

Now we are talking about a much diminished area, and that is what I had in mind when I said I thought the threat was smaller even though the former Soviet Union, various republics, still have a large number of ballistic missiles. I don't think there is the will to launch a massive integrated attack, well-coordinated attack on the United States, but that doesn't mean that the threat from a much smaller incident, including even an accident is not much greater than it was in the days when we had more confidence in the control systems—

Mr. BARTLETT. Thank you very much. Mr. Perle, you articulate well concerns that I have had for far more than a decade, and I think those concerns are shared by a big, big number of Americans. Thank you very much.

The CHAIRMAN. Thank you, Mr. Bartlett.

The Chair would like to observe we have in the audience today a former distinguished ranking member of this committee, Bob Wilson from California. And I would like to recognize at this time Mr. Skelton from the great State of Missouri.

Mr. SKELTON. Thank you, Mr. Chairman.

At the beginning of the meeting, Mr. Chairman, you commented that we can't take a chance on not having a country defended in the world in which we live, and I think all of us will agree with that basic premise, and I compliment you, Mr. Chairman, on your statement.

In defending a nation, there are two basic elements. One is doctrine. The other is dollars. Concerning doctrine, the present administration has relied upon as its centerpiece the Bottom-Up Review. The doctrine and subsequent strategy has centered around that.

And then let me point this out. Section 9, Mr. Chairman, of this bill states the centerpiece of the administration defense strategy, the Bottom-Up Review reduces Navy ships by one-third, Air Force wings by almost one-half, funding for missile defense by over 50 percent. And the General Accounting Office has reported that even the restrictive Bottom-Up Review could be underfunded by \$150 billion.

So we see that the shrinking of the military still leaves us with the strategy, the Bottom-Up Review. And so the surrounding doctrine which should be drawn up concerning this, according to them, is \$150 billion short.

The President is recommending \$25 billion over the same five-year period, which is not sufficient in my opinion. I have done some work in the area of budget, and I find that my figures are much higher than any of us wish to believe. I am still working on that.

In this whole area we want to see what is really important, and in your bill it refers five times to the phrase "earliest possible date" for both an ABM system and an advanced theater missile system. I might point out in the Bottom-Up Review regarding the Army,



the theater ballistic missile defense is part of the work, the doctrine and the strategy, though I am sure it could be worked further along more quickly.

So, even without any cost—and I assume from the figures I have, Mr. Chairman, that—I may be wrong—an additional \$25 billion to do this, is that correct, Mr. Perle, under your proposal, ballpark? Mr. PERLE. I haven't identified a program or begun to cost it.

Mr. SKELTON. All right. Well, let's assume it costs \$25 or so billion. That would put us at \$175 billion underfunded if you take the GAO's official accounting.

Recently, Mr. Edwards, Mr. Chapman, and I went to Europe, and we found that the Army transferred \$300 million last year out of its training account into the account to fix the toilets, fix the roofs, and to take care of the day care centers for the living conditions. And this is not talking about the backlog—the tremendous backlog of the weapons, trucks, tanks, fixing housing. As of this moment, we are hurting pretty badly just to take care of the soldier.

I am really, really worried about this over and above our conversation today. So my question is, Today, will this Congress—will this committee in looking positively at what you suggest, both in theater defenses and ABM defenses, will this Congress and this committee belly up to the bar on what it is going to cost?

If we don't and we do as you suggest, what do we cut? A ready Army, which is already hurting? A stretched Navy? Air Force wings that are relying a great deal on reservists to meet their missions, particularly over Bosnia? What do we do? A Marine Corps that is being stretched insofar as the living conditions are concerned? What do we cut if we don't come up with the needed funding?

I would appreciate any of you telling me what we cut in order to achieve your goals. I am going to start with you, Mr. Hadley.

Mr. HADLEY. I think that, obviously, we can all identify things that we would not cut. And certainly a commitment to the men and women who serve in the Armed Forces is, without question, a very important commitment from this committee and from this Congress.

I also would point out that it talks about, at the earliest possible date, an effective program; and so there are going to have to be technical considerations about what kind of program makes sense, how fast you could bring it on, what kind of funding program would be associated with it. So on a year-to-year basis I can't tell you. We may not be talking about dramatic increases in dollars on a year-to-year basis.

I don't have much more to add than what I said before. What I think you have to do is flip around and say are there any dollars in this defense budget which perhaps don't go to the readiness of our forces or salaries?

Mr. SKELTON. Let me interrupt you.

I have looked at this particular issue, and I was surprised that we can't cut as much as I thought we could initially. I wish Mrs. Fowler were still here to enter into this conversation, but go ahead and answer my question, please.

Mr. HADLEY. I will flip it around and say are there any dollars in there that do not make the kind of direct contribution to the

well-being of the American people? And I think there are questions that can be raised about dollars for defense conversion in the Soviet Union. I think there are questions that can be raised with respect to dollars that are in the defense budget that, in fact, are functions that might arguably be in the budget of other agencies.

I don't have a program to put before you here, but I think the important thing for this committee to do is to say we are not going to rule out, out of hand, the notion of trying to put together a program that will lead over time to the defense of the country. And I think that is really the issue. Are we going to rule it out of hand or is this committee going to decide it is going to be a priority that you are going to put in the pot and weight against other competing priorities?

Mr. SKELTON. Mr. Perle.

Mr. PERLE. Well, it is tempting to say that you could begin with the \$4.6 billion, taking 1993 as an example, that was essentially for nondefense programs that had been added into the defense budget. And I would think programs of that nature would deserve special scrutiny. The drug enforcement, medical research—these may be worthwhile objectives, but they don't belong in the defense budget. But I would hope you would do that in any case, independent of the question of H.R. 7.

I think we have to wait and see what the Secretary proposes. One can imagine a serious program that reorients us in policy terms but does not in the near term have huge cost implications.

Second, let me say that I think we force ourselves to inflate the cost of ballistic missile defense by some of the restrictions that we seem all too willing to accept that arise out of the ABM Treaty. In my view, the sensible way to identify targets is to put sensors in space. And I see no reason why we shouldn't take advantage of the tremendous efficiency that results from space-based sensors, but there is a debate at the moment as to whether we can do that or whether we will be compelled to use much more costly and less effective ground-based systems because of someone's tortured interpretation of the ABM Treaty.

Removing the restrictions—the technical restrictions of the ABM Treaty from our planning would save a lot of the money that will ultimately need to be invested if we are going to pursue ballistic missile defense seriously. And somebody, Mr. Chairman, ought to do an analysis of the added costs of complying with a treaty that is no longer really relevant to our principal concerns.

Mr. SKELTON. Would you abrogate the ABM Treaty?

Mr. PERLE. Well, I would go to the Russians, who I think also have an interest in recognizing that the cold war is over, and propose revisions that would permit defense to go forward, both theater defenses and national defenses, and only if they refused for whatever reason to accept reasonable change would I exercise the right we have under the treaty to withdraw. And I don't think we will have to withdraw if we go to determine that we will, if necessary, because I think they will have an interest in a collaborative approach to the relaxation of those restraints which now prevent them from defending themselves just as it prevents us from defending ourselves.



So there are a lot of considerations here, and I don't mean to duck the question of where you find the money. At the end of the day you may have to face some difficult choices, but I don't think you can do that in a practical sense until the Secretary of Defense responds to the requirement in title II that he put forward a plan, and you can evaluate the plan and see whether it is consistent with the other necessary programs that are in the budget.

Last, let me say that I believe that even at reduced levels of forces, military forces, we ought to recognize that the fundamental threat around which we organized and built our military establishment during the cold war is changed. We no longer anticipate a massive conventional invasion through the center of Europe.

And yet a great deal of our force was developed in response to that threat, and if we are going to make the transition to a capacity to deal with the threats of the future and provide for our men and women in uniform—and I think that is a first priority—we may have to downsize even further. So I would prefer a smaller but better equipped, better provided force rather than a larger one. And I think there has been a tendency to try to hold on to more than it is practical to insist upon in a world in which the threats to us are likely to be at greater distances and that require agility and quick response rather than the very formidable forces oriented toward the threat in the central front. So I think there is a lot that can be done to find savings in the budget, but it is going to mean some painful restructuring.

Mr. DELLUMS. Keep going on that. On that point you and I are in total agreement.

Mr. PERLE. It is more important that the money be spent well than the amount.

Mr. PIKE. Mr. Perle isn't always wrong.

The CHAIRMAN. I thank the gentleman.

Mr. Edwards from Texas.

Mr. EDWARDS. Thank you, Mr. Chairman.

Let me first say to my friend, Mr. Hunter, that the term or the tag line star wars is one of the few effective tag lines Democrats have come up with in the last 20 years, so please don't take that one away from us.

Mr. Perle and Mr. Hadley, I have no problem with the concept of spending some money on research on some program to provide defense for the continental United States, but I have a real problem with coming here in the first 3 weeks of this Congress after very limited hearings, during which I must point out that the empty seats on the front row of this committee room represent the deciding votes on this issue, without consideration to costs or an examination of what those costs would be, without consideration to trade-offs, without consideration to the question of does the technology work or is there a technology that could work.

That within the first 30 days of this Congress, despite all of those problems, we are going to say and vote on Tuesday morning that it shall be the policy of the United States to deploy at the earliest possible date an antiballistic missile system. That is what I have a problem with.

And let me say, Mr. Chairman, that my comments about the empty seats here are not intended to disparage either someone

from a party or any individual member of this committee. We all have conflicting schedules. We all have to make trade-offs. We all have sometimes more than one committee hearing.

But this is an important issue, and we are going to be voting on it Tuesday morning. And this is the first hearing on this issue, and many of the members that should be in those empty seats are folks who signed a commitment saying that this shall be the policy of the United States of America. And I can't think of many things that should be more important than at least making every effort to try to be here, members of both parties, recognizing and respecting the constraints and difficulties we have in our scheduling, but this is an important issue.

What I would recommend is, considering these constraints and these problems and the lack of time to ask these questions and answer them, we ought to delay this important decision. If this is more—if this is just simply a symbolic statement that means nothing in terms of cost or commitment of resources of this country, then we ought not to be doing this in the first 30 days of this Congress simply to make some statement to some constituency.

If this is an important decision and vote we are going to be making Tuesday, if it is going to direct priorities and resources of these United States, then I would say it certainly deserves more consideration than we have time to devote to it between now and next Tuesday.

The chairman talked about a focus group, and I respect that, and I know the chairman's integrity and his fairness and his non-partisanship. And I will probably vote with this chairman more times than I would vote against him on defense issues because I share his commitment to a strong defense. But I want to talk about a focus group.

And he talked about in that focus group people who were willing to say they would vote for higher taxes and even cut Social Security to pay for SDI. The key issue here is what trade-offs are we willing to make. And if there is any member of this committee, Democrat or Republican, that is willing to go on record right now saying that he or she would vote to cut Social Security to pay for this program, I shall yield the rest of my time.

If there is any member of this committee, as I plan to do, to vote for the balanced budget amendment who is willing to say he or she will change his vote in order to help fund through deficit spending SDI, then I shall give that member the rest of my time.

If there is any member of this committee that has taken a commitment to vote against new taxes but is willing to change that commitment to say this is an important program and it even requires new taxes, I will gladly give up the remainder of my time at this hearing.

If there is any member of this committee willing to say that he or she will cut a base or an installation in their district to pay for this, let them speak.

In all honesty, I am not willing to say I am willing to give up one of the Army divisions at Fort Hood in my district to pay for an SDI program whose cost is unknown and whose technology is unproven.

And what are the trade-offs when we talk about focus groups? We are a focus group here. What trade-offs are we willing to make? Am I willing to vote to cut the F-22, the C-17, the B-2? Is Sonny Montgomery willing to cut the National Guard? Are we willing to cut pay raises for enlisted personnel? It seems to me these are all the questions we ought to be asking before we say on Tuesday morning this shall be the policy of the United States of America.

So my problem, Mr. Perle and Mr. Hadley, is not with the arguments you presented that this is something we should study, we should research and we should spend money on, but don't you think it would be far more reasonable to answer these many, many questions before on Tuesday morning we say that this shall be our policy?

MR. HADLEY. I would just make a brief response to that.

You can't get an outside witness, I don't think, reliably to come up before you and outline a program technically and with associated costs. We don't have the kind of information you would need to do that. It would not be a reliable input to you. It seems to me the only way you can do that is to get the Secretary of Defense to look at it with all the resources at his disposal and say if you want to do this in a prudent way, this is what I would propose. And you can debate that and you can make judgments about how that fits with other priorities.

I guess what I, reading H.R. 3, what I thought that legislation was about is this committee and the Congress saying that this is a subject area—defending country against these threats—that ought to be a priority and to start off a process with a report from the Secretary of Defense to see if you can define a program that makes sense technically and that has some costs associated with it that makes sense with other priorities.

I don't think you can get outside witnesses that can do that for you reliably. It has really got to come from the administration, and I thought that was the process that really the legislation would kick off because all those questions you raised have to be addressed. There is no question.

MR. PERLE. What you have now is a policy in the budget that says there will be no defense, that it is not only not accorded a high priority, it is accorded a low priority—in fact, no priority at all. That is a pretty draconian conclusion at which the administration arrived after taking office when it essentially terminated any serious effort to develop a ballistic missile defense.

This, of course, isn't an authorization to spend money. There will be plenty of time to debate the merits of whatever program the administration proposes, and Bill Perry is a responsible Secretary of Defense. I believe that in response to this legislation he will put before you fairly assessed, responsibly analyzed options.

I mean, there will be a temptation, of course, among the opponents of ballistic missile defense to produce a program the cost of which is so high and the risks of which are so great that no one in his right mind would fund it, but I don't think—I think from Bill Perry you will get an honest answer, that these are the options.

Then you will have undoubtedly some difficult choices to make in deciding the priority of this program as opposed to the priority



of other programs, but at the moment it couldn't be a lower priority.

You may argue that it is being pushed into too high a priority by title II. What will happen at the end of the day is that this assertion of the high priority that the Congress attaches to defending this country will end up in competition with all other programs when you get to the point of authorizing the budget and appropriating funds. How else do you change a policy?

Mr. PIKE. I would simply suggest that if the characterization of the \$3 billion a year program, including about half-a-billion dollars a year on national missile defense—if one would characterize that level of effort in the terms that Mr. Perle has just done as a program that has been terminated and a program that could not have any lower priority, that would suggest to me that if we have to spend \$3 billion a year just to maintain this thing and terminate its status, that if we are actually talking about getting out and deploying something, that it is obviously going to be some multiple of that, and we are unavoidably going to be confronted with precisely all of the trade-offs that we have been discussing here this morning.

I would say, to the contrary, that the half billion dollars that the Clinton administration has been budgeting for national missile defense does—and the reason that we are spending so much money on it is that it does provide rolling options through these successive technological epochs to deploy something should the need arise.

Now the problem that they are going to have in defining what constitutes an effective defense is a question of effective against what. And in the absence of a definable threat, in the absence of a foreseeable threat, I think it is going to be extremely difficult for them to define what would constitute effective. But, should that threat arise, the half billion that we are already spending provides an option for deploying in a time frame of a few years, certainly a short time frame compared to how long it would take to go from a Scud, to go from an ICBM. That is the difference between being able to build a little Piper Cub and being able to build a Concorde or a 747. That wouldn't be easy.

Mr. EDWARDS. Thank you for your answers.

My time is up. I will simply conclude by saying if we were just asking the Secretary of Defense to study this issue, I would vote for it this moment. But that is not what this proposal says. It says, it shall be the policy to deploy this system at the earliest possible date.

The CHAIRMAN. Thank you very much.

The Chair would just like to again make the statement that we don't know, of course, what this will cost. There are all kind of technologies out there now that can be built upon and suggestions as to how this problem can be solved. The Secretary of Defense is going to let us know that debate will come later on, and the decisions of trade-offs.

And I can share the gentleman from Texas's concern about trade-offs and all these kind of things because I am in the process right now, as chairman of this committee, working with the chairman of the Defense Appropriations Committee, of trying to get together a

presentation to make before the Budget Committee of our needs for our defenses.

And we have no idea how much money we will be able to get. We have to make that decision and arrive at that conclusion, first of all. Then we will have to make these decisions on the priorities for missile defense, the modernization and readiness, and all the rest of these things.

But at this point I am concerned about doing all the things that need to be done and not taking away from defense but enhancing our defenses and the framework of what we are able to get. But the debate on the amount will come later on. I will be involved in it with anybody, and I share your concern about it.

Mr. EDWARDS. OK.

Mr. DELLUMS. Mr. Chairman, would you yield briefly to me on that?

The CHAIRMAN. Of course I will.

Mr. DELLUMS. I appreciate the remarks of the chair, but let me underscore again for the purposes of emphasis the theme that has run throughout these hearings.

Title II says it shall—now, we all understand artful legislative language, may or shall. This language says it shall be the policy of the United States to deploy at the earliest possible date, et cetera, et cetera, et cetera.

That is a mandate. Mr. Chairman, it does not speak of dollars in title II, but as a minimum requirement for those of us who are contemplating embracing or not embracing a shall be the policy we have a responsibility to at least, based on as much thoughtful analysis as we can obtain, determine what we perceive to be the estimate of those dollars.

Now, our best judgment, and no one has contradicted it, is at a minimum \$25 billion, 18.9 of it for the national defense system. Now, if you come up with a different figure—I don't think I am carrying out my fiduciary responsibilities appropriately if I don't address the issue of policy and what are the economic implications and what are the trade-off implications before I make that judgment.

I conclude by the comment I made in my earlier remarks. By putting the cart before the horse you have already constrained the nature of the debate in a limited dollar environment on what you are going to do with respect to other items in the bill by developing and embracing a shall policy that in our opinion does indeed embrace approximately \$25 billion. That is almost inescapable.

So how can you talk about policy without talking about the economic implications? This is much too premature to engage in this kind of decision before we are able to look at the full plate of issues that are going to be before this committee. That is what a number of our colleagues are saying.

Mr. TALENT. Will the Chairman yield?

The CHAIRMAN. Yes, I will yield to the gentleman.

Mr. TALENT. I want to respond to what Mr. Dellums is saying, the distinguished gentleman, and I appreciate where he is coming from. I think in a way he is concealing—his argument conceals in a process argument what is really a substantive argument.



These witnesses—two of these witnesses have testified, many of the members of this committee believe that there is a substantial risk of some kind of a rogue or deliberate single ICBM nuclear attack on the United States in the foreseeable future and that a ballistic missile defense—there is at least a substantial chance that we can develop a highly effective ballistic missile defense against that attack.

If those propositions are true, then I would submit to the gentleman that it is a perfectly rational and reasonable policy position to take that we ought with maximum speed, in less than 100 days if we can do it, begin building that defense, at least within the parameters of the dollar figures anybody suggests. And, yes, I think it is perfectly reasonable to say if it costs \$25 billion to protect New York from being incinerated against a substantial risk, then we ought to do that.

So it seems to me what you are really saying is, no, that substantial risk doesn't exist or, no, we cannot build an effective ballistic missile defense against it, which is an argument based on substance rather than dollars. Because I know the gentleman doesn't intend this way, but I think in a way his argument has the effect of suggesting that a reasonable person could not want to move expeditiously on this, whatever the foreseeable cost, given the parameters.

I know you are not saying that, that I am being unreasonable in believing that perhaps I need to do that or irrational. I think it is perfectly rational to believe if the risk is as these gentlemen suggest that we ought to move as fast as possible, and I would like to move more quickly than 100 days if I could.

Mr. DELLUMS. As a point of personal privilege, because the gentleman questioned the veracity of the gentleman's argument, I would like to respond.

First of all, there are two arguments. There is the process argument. As I said earlier, if you are going to make a contract, the most basic contract you have is to engage in your responsibilities in a process that is deliberative, thoughtful, and substantive. That is what we have to do. That is why we are being paid here. So that is the fundamental contract that we have. Set aside the process. Then you and I can argue the substance.

What I am saying here is you don't have a process that allows us to engage in all of the substantive realities that are both implicit and explicit in the issue that is before us, and to argue any other way is to belie the reality. We have argued for days and weeks and months on this issue. You are prepared to adopt a policy based on one-half day of hearing and can rationalize that?

So I think the process argument is an important argument and the substantive argument. I am prepared to engage the gentleman all day long on the substance, but where is the process that allows us to do that?

Mr. SKELTON. Mr. Chairman—

The CHAIRMAN. I am going to have to—

Mr. SKELTON [continuing]. May I have 30 seconds?

The CHAIRMAN. Thirty seconds. We have got to let witnesses testify and respond to questions and not argue among ourselves. We can do that in markup.

Mr. SKELTON. I feel like my comments a while ago were not heard.

The CHAIRMAN. All right, you've got 30 seconds.

Mr. SKELTON. Mr. Chairman, we have to fit this—and I appreciate them. I understand. I would like to help them. But I also think we had better fit this in the framework of a document for the defense of the United States known as our defensive doctrine.

We have to take care of the troops first. If we don't take good care of the troops, they are going to vote with their feet. And I remember in 1979, 1978, when the type of troops that we had couldn't do what we are asking them to do today.

The CHAIRMAN. We are going to have to cut this off. We will debate among ourselves in markup, as I said.

Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. I appreciate the opportunity to ask a question. It is a little frustrating down here on this bottom rung listening to everyone walk through all of this.

I want to, first, associate myself with my colleague from Texas, Mr. Edwards. I think he hit it right on the head. This is something that we are pursuing, I think, in great haste that has a very, very major implication to national security, and I don't think that we need to do that in the time frame of which it has been proposed.

And with all due respect for the individuals testifying today, you are the wrong people to be here at this time. As Mr. Hadley said, you are not able to give us the insight that we need as to the technological ramifications cost and all these other ramifications, and there are people who can.

I went out and asked General O'Neill to come over and to speak with me just yesterday, and some of the assumptions and statements that have been made here today could have been easily cleared and refuted by the person on the inside that is really working with this day to day, as opposed to what I feel, frankly, is a political position as opposed to a national policy position and what we are doing for the national defense as it applies to SDI.

Now, we have a program; \$3 billion is not chicken feed. We are investing in this and have been investing in this for some time. And as—if you will take the time to have General O'Neill testify—and Mr. Chairman, I recommend that you invite him to testify—you will discover that we do have a very good plan. In fact, we could go through a deployment if there weren't treaty obligations to concern ourselves with and if the real technological advances had been made that they anticipate.

But if we go out and buy a deployable global system now, national defense system now, we will have a boat anchor in five years probably. We are not ready. We would buy obsolescence because we are doing some very, very constructive things in the theater that will take us, I think, into the next step which will be the national defense system. That is the logical step.

But to take this leap that I see which, in fact, I think is a short circuit in competing with other national defense systems—which is what we do. We compete with these systems based on threat and national security needs.

And Ike Skelton is absolutely correct. We have to look at the troops. We have to look at what it is going to do to other programs

if we invest in the front end the kinds of moneys we are talking about to go through a deployment posture that I think, and you can reply to this, buy into obsolescence at this juncture in haste to essentially satisfy a political position.

Mr. PERLE. I would like to respond to that if I might.

First of all, I think you misconstrue both the purpose of title II of H.R. 7 and you certainly misconstrue what I have come here to recommend today.

I am not suggesting that you buy obsolescence. I am not suggesting that you buy any particular technology. What I am suggesting is that we change the current policy, which is itself a change from the policy of the previous administration.

And on the subject of haste, I can assure you that the haste with which SDI was abandoned will make the time schedule for a reinvigoration of an approach to defense seem leisurely by comparison. I mean, SDI was swept out when the new administration came into office.

And we are not necessarily even talking about SDI. We are talking in broad concept about the notion that we ought to have a defense against ballistic missiles.

The legislation asks the Secretary of Defense to provide one at the earliest possible date, which is a concept that obviously comprehends technology and budgets. So that what you will get from the Secretary is, I hope, a range of options for meeting the obligation of article 2. And presumably he will come to you and say, this is the technology I can provide on this time scale and at this price; and on a slower time scale it will be a different price and maybe a different technology.

Now, if we came up here and said to you this is the system that you must buy and here is what it is going to cost, you would have every right to say this is a usurpation of the responsibility of the Department of Defense, of the Secretary, of General O'Neill, and others. So what we are doing is trying to change the current policy, which is to put national defense on a back burner, to run the risks entailed in not having a national defense at the moment when we may desperately need one and when we may wish that we had made the decision years earlier.

You will have an opportunity, this committee will have an opportunity, the Congress will have an opportunity to evaluate the recommendations that come from the Secretary of Defense. So what you are really saying is we think this should be a priority. Give us a feasible, cost-effective, budgetarily responsible approach to developing a national defense because we think it is important.

Now you can take the other view that it is not important, but that is the choice you have to make. And so when you say it is political—I mean, it is a policy difference, there is a difference in policy perspective between the two of us and John Pike and between, as I sense it, the new Republican majority and the administration in office.

So the issue to be settled is a policy question. Is it important that we have a national defense? And then you work through the process with the Secretary of Defense of coming to some sensible proposal that the country can afford that can be fit within the defense



budget that will not detract from other defense programs to the point where it no longer makes sense.

Mr. PETERSON. But if I may comment, the very argument that you make we are doing in reverse. We are not doing the investigation. We are not doing the analyzation of the issue prior to making the policy. And that is my concern.

I support the concept, actually, of this whole missile defense operation. I just want it to be done in a posture and a process by which we don't answer the questions before we get the data.

Mr. PERLE. You won't. Not a dime is going to be spent until you have had a chance to review the proposals that the Secretary develops.

Ms. DELAURO. Would the gentleman yield?

Mr. PETERSON. Yes.

Ms. DELAURO. If I might just add on to—

Mr. BATEMAN. Mr. Chairman, regular order.

The CHAIRMAN. Yes, we should have the remarks addressed to the Chair.

Who has the time? Mr. Peterson. His time is about up.

Mr. PETERSON. Well, I am, but I appreciate the comments.

The point—I don't think we are so far away as some of the testimony has belied here. I think we are a lot closer. It is just the process here.

Let us get into the investigation. As Mr. Edwards has said, just let the question be: All right, Mr. Perry, what do you really think about this? What is your recommendation? And then allow us to react to that. That is a lot different than establishing a policy that says you will, you shall.

Mr. PERLE. It is a jump start. And it is a jump start because when it comes to national defense the battery is dead. This administration has decided we are not going to have one.

Mr. PETERSON. I am not sure—I certainly think there is some argument whether or not that is true, at least from my briefings from General O'Neill. The \$3 billion is real money.

Mr. PERLE. Most of that is for theater defense. It is almost all theater defense.

Mr. PETERSON. The technological—

The CHAIRMAN. Point of order—and the Chair has indulged different ones this morning that are running over the time involved, and I have tried to be lenient, and I want to try to be fair to everybody about it.

At this time, we will recognize Ms. Harman from California.

Ms. HARMAN. Thank you, Mr. Chairman. I promise not to go over 5 minutes.

I am an unabashed supporter of ballistic missile defense. It is critical to the industrial base of my district, and I also believe it is critical to our national security.

I agree with Mr. Perle that missiles pose a clear and present danger to U.S. allies now and may pose a clear and present danger to the United States—the continental United States in the future. I plan to fight for a robust ballistic missile defense budget as part of the fiscal year 1996 authorization debate. And if the administration recommends a figure that I think is lower than necessary, I would fight to add.

Having said this, however, I think this conversation is out of sequence. And I totally agree with the ranking member, Mr. Edwards, and others that we should be considering all this when we consider the fiscal year 1996 budget so that we can see where it fits and we can see what it costs and we can then assess, as many people have said, the trade-offs. I would be prepared to trade some things off for this. I don't have an ideological problem with this.

My question to the witnesses—I don't know how you would choose to answer this—is, do you feel that coming forward now with a piece of legislation in advance of the fiscal year 1996 budget is more sensible than would have been a policy recommendation in the context of the budget to increase and perhaps change the nature of ballistic missile defense?

Mr. HADLEY. Let me try and answer that if I can.

I think—to answer your question and Mr. Peterson's and Mr. Edwards, I think what you are hearing from Richard and me is the following: If we were writing on a blank slate you might be right. It is our view—and you will hear from the administration on Friday—that we are not, that instead we are writing on a slate that says it shall not be the policy of the United States to deploy at the earliest possible date an antiballistic missile system that is capable of providing a highly effective defense of the United States.

And if we are right and if that is the policy, then you don't get to the debate that you have both mentioned is important until you change that policy. That is what we are saying.

And we think it is appropriate for this Congress to say it shall be the policy to do at the earliest possible date an effective system. You are going to have to decide what that means and how much it would cost and how much you want to pay, but I think the point we are trying to make is you don't get to that debate unless you delete the “not” from what we understand to be the current policy. That is what we think this legislation would do.

Mr. PIKE. I think it is the administration's position on this, and I think the position has basically been ratified by the last Congress in a series of authorization and appropriation bills is that, based on the currently available intelligence, based on the evaluation of the time horizons for potential threats, time horizons for potential technologies for deployment, that it would be premature to have a commitment today to deploy at the earliest possible opportunity. And, obviously, that is a decision that the previous Congress and this administration have made within the context of other national priorities, and so I think it is very difficult to come in and say that the answer is deploy ballistic missiles defense as soon as possible, and we will worry about what the question was later on, but we already know what the answer was.

Mr. PERLE. The alternative is to go from premature to too late without it ever being timely. And if this administration had remained committed to developing a national defense, you would have an entirely different debate, but it made a deliberate decision to shift from national defense to theater defense. It then reduced the funding by 80 percent.

And so what we are left with is a rather leisurely investment in theater defenses that is in great danger of being hopelessly constrained and, in fact, rendered ineffective by a negotiation in Gene-



va at which performance parameters are being placed on theater defenses. And what it all adds up to is a very weak commitment on the part of the administration as a deliberate matter of policy to the notion of active defense against ballistic missiles.

This legislation seeks to change that, and it gives the Congress multiple opportunities to reconcile the change of policy with the realities of budgets and priorities as it plays out downstream. So you haven't lost any opportunity to say we think the earliest possible date is too costly. It is going to have to slip by 2 years or 3 years or 5 years. You will have a full range of options.

But without something like this, this administration will come and go without ever changing the current policy.

Ms. HARMAN. Thank you. I see my time is up.

I just would add one sentence, Mr. Chairman, and that is that I appreciate these answers. I think this committee is fully capable of changing the priority given to ballistic missile defense, and I would have preferred that it come up in the context of the fiscal year 1996 authorization debate. Thank you.

The CHAIRMAN. Thank the lady.

I would like to inform the committee that I am working off of a list of people as they entered in the committee room and recognize them in order. The next is Mr. Weldon from Pennsylvania.

Mr. WELDON. Thank you, Mr. Chairman.

I thank the witnesses for their testimony. In the 9 years that I have been on this committee I have assumed that our responsibility was to assess the threats that are out there, irregardless of the dollar amount, to come back to our colleagues on this committee and in the Congress and tell them what that threat is and what, under ideal conditions, would be our response and then to work with the Budget Committee and the other committees to then fit in whatever dollars are available to meet the needs.

We have not done that over the past several years, and I think this committee has acknowledged that. We have all acknowledged that it was Senator Nunn who said that we pulled the budget number for defense out of the air. It was this committee over the past 2 years who told this administration that it was making a fundamental mistake in cutting defense by \$128 billion over 5 years. We said that.

What has the President done? Last night, he reaffirmed what he said in December. Yes, he made a mistake. So it was this committee who, in fact, said we were cutting defense too much to meet the needs and the threats that were out there. And now this President is responding as he did in the State of the Union speech last night and saying he is going to put more money back in in line with what we said.

In terms of what our mission is, I think it is to assess if there are gaps in our defense posture for the American people, and, if so, what do we do about them.

The testimony I have heard—I think all three are in agreement there is a gap there. There is a gap in terms of defending ourselves against incoming ballistic missiles. There is disagreement about how to respond.

One position is, ignore it. It is not that big of a deal. Mutually assured destruction will save the day again.

On the other hand, our other witnesses are saying let's do something about it. Perhaps let's reinvigorate a program of trying to respond to it.

If we look at the situations that we have had in this committee in our briefings this year, we know the Russians have sold long-range cruise missiles to Iran. That is a fact. We know that. We know that Moscow still operates the only ABM system in the world. Why would Moscow employ an operational ABM system if we don't need it because we are under this mutually assured destruction system? Why would they have one? It is in place now. It hasn't gone away because Russia has taken over the former Soviet Union.

And if we read the January 15th editorial in the New York Times, we saw where our CIA bought the latest Russian air defense system delivered to an air base down in Huntsville, AL, that is superior to the Patriot system. If we bought it, I can guarantee you all of our enemies are buying that same system from Russia. These are facts. This is reality. And we have an obligation, I think, to respond to that.

Now I am going to tell you I have not been happy with how we have spent money on SDI and these programs in the past. I think in some cases it has been a boondoggle. I have not seen the results. I have not seen concrete things that I could point to that we can say to the American people this is a wise investment of your money. So I am not going to be a blank check for some pie-in-the-sky idea to come in here and tell us just throw a couple more billion at it, and we will solve all your problems.

What I think we have to do is look at the threat that is there and look at the technologies that are currently being developed and see whether or not, one technology at a time, the American people should invest any more money in any of these technologies and if so, what are we going to get in terms of return.

That is the kind of, I think, outlook that we should take in this upcoming session; and, as chairman of the Research Committee, that is going to be my focus. It is not going to be a blank check for anybody. It is going to be—to say let's look hard and fast at this with the Secretary of Defense, and let's look at what we can gain.

And I understand we need to look at what constraints are being placed upon us by the ABM Treaty. This is not the same Soviet Union.

As someone who has traveled there, who has been involved with Soviet issues since my graduation from college with a Russian studies degree, I want us to work with them. But I also understand the mind-set of the Soviet system and also understand that trust is something they have not yet fully understood in terms of mutual trust and respect. So what I would say to you I think is important.

And while my colleagues say where do we get the money from—I mean, come on. If this is a priority—we talk about acquisition reform. We had breakfast with Secretary Perry this morning. He said we could save billions of dollars if we in this Congress reform the way we buy systems.

We are spending \$13 billion this year out of the defense bill on environmental costs. Is that more important than protecting the people from an accidental nuclear launch?

We are spending \$4.7 billion of money that this committee never authorized, \$2 billion of it in R&D that the Pentagon didn't ask for that we stuck in—and we didn't stick it in. The appropriators stuck it in. We are spending \$3 billion on defense conversion. We are spending \$1.5 billion on Haiti.

We are paying the soldiers from Bangladesh right now—their salaries, their benefits, their health care costs. I hear my colleagues talk about our soldiers. Why are we paying money for the Bangladeshi soldiers in Haiti today? Were we consulted on that decision before we had to take \$1½ billion of readiness money to support the President's decision?

We have the ability to make these decisions, and we should be involved in it, but I also think we have an obligation to look at what the threat is and not to give anyone a blank check and not to say, yes, we are going to return to some massive expenditure of funds unlimited with no accountability.

If we spend one dime of money, which this committee will decide, we better have a time frame. We better have goals. We better have objectives. And then we will measure them on those, not some blank check that I think has largely been the problem of the past.

I close with two questions. Mr. Perle, the President last night stated that there are no missiles aimed at the United States. With your understanding can we unequivocally state today—can anyone unequivocally state today that we have verified that no Russian missiles are today aimed at the United States?

Mr. PERLE. I think the President is taking the word of President Yeltsin for that, and I am not sure President Yeltsin would know. In fact, I am quite sure he might not.

Mr. WELDON. How quickly can you redirect a missile? Is it a matter of days, weeks, months or minutes or hours?

Mr. PERLE. If their system is still intact, it would be a very short time.

Mr. WELDON. Short in terms of hours?

Mr. PERLE. Hours.

Mr. WELDON. Finally, what would be the damage caused in any part of the United States if one SS-25, which currently has 10 warheads, landed in a metropolitan area of this country? Because this is the real question that the American people have to understand is what we are talking about. Maybe we can't protect them all. Just like when the President wanted to remove the assault weapons that didn't solve all of our problems. What would be the damage caused?

Mr. PERLE. Well, it would be so astronomical that on a list of ensurable risks I would think this would be, dollar for dollar, the most cost-effective insurance one could imagine, way ahead of earthquakes, tornadoes, floods, and the rest.

The CHAIRMAN. The gentleman's time has expired. We will be moving on. We are trying to get to everybody we can.

We are going to conclude the hearing at 1 o'clock. I think the witnesses can stay until that time, and I will try to get to everybody that is present.

Next, Mr. Bateman from Virginia.

Mr. BATEMAN. Mr. Chairman, thank you, and I will use a part of my time to enjoin those members of the committee who are left



that we better get accustomed to being a little bit more considerate of one another as we apply the 5-minute rule. I have been sitting here for a very long period of time, and there is no reason why I shouldn't wait for my turn to arrive, but I shouldn't be here while people who have used their time then pursue additional time to debate between themselves or with the witnesses.

Having said that, we have essentially a very easy part of our task as we address a policy question of whether or not we want to have a national and a theater ballistic missile defense system. That ought to be an easy question for the overwhelming majority of this committee on either side of the aisle.

I come down on the side that we should have such systems. I also come down on the side of I don't want it to be done on a pell-mell basis where we waste billions of dollars for immature technology or obsolete technology.

Certainly, I have, frankly, some concerns that we have gone to a rhetorical excess in the present language of the bill in saying as soon as possible. If we literally mean that, I think we are saying something we shouldn't say. I really don't believe that is what we mean to say.

If what we mean to say is it is a policy of the U.S. Government, as established by the Congress, to have a theater ballistic missile defense system that is effective and workable and affordable and a national defensive system that is effective and workable and affordable, we want them as soon as practical to have them, I think certainly we ought to be able to reach a substantial consensus in developing the language which implements that as a national policy. And I think that is really the only basis for what this proposed legislation is talking about.

Having said that and if I have a minute longer—I think something that is very important and a very specific value that has emerged from this hearing, the ABM Treaty and the administration's position with respect thereto seems to have frozen into time and space the considerations which led to the initial adoption and ratification of that treaty in a totally different strategic era than we now operate in and that, at the very least, this administration should not be seeking to have an expansive interpretation of it that even defeats the theater ballistic defense systems that we ought to be very, very busy, especially busy deploying.

What we really ought to be doing is to say to the Russians and to anybody else affected, this is a different ball game. This is a different era. It serves our interest to forget the dead end of the past and let's do what is practical, common sense, and realistic.

If the Russians find themselves unable to accept that, we have the right to withdraw and should exercise that right. And that is a large part of where our discussion ought to be taking us.

In conclusion, it is a policy decision. I don't think we have that much disagreement over what a sound policy ought to be, and let's not get so caught up in our rhetoric and hyperbole that we don't resort to stating the policy if indeed there is substantial agreement as to what it ought to be.

I would be happy to have any comments from anybody at the table or elsewhere.

Mr. PIKE. I think that the challenge before this committee and the challenge before the Secretary in the event that H.R. 7 is adopted into law is going to be trying to operationalize precisely what is meant by earliest possible date and by what is meant—what do you mean by cost-effective and operationally effective? What level of effectiveness is going to meet those criteria? What is going to be done to certify to the Congress and certify to the taxpayer that there is any confidence that the proposed system is going to actually meet that level of effectiveness?

I think that much of the debate that we have had, both in this room today and over the last several years or several decades, has been precisely over these questions of what is the level of confidence that you have in the system's effectiveness and what constitutes effective.

From my perspective, given the likely political threats and the scenarios under which these systems might be used, I think that we would basically be requiring an effectiveness level and a confidence in that effectiveness that is simply not physically achievable.

On the other hand, if the committee is prepared to say that 90-percent effectiveness with 90-percent confidence is good enough for government work, then I think that it needs to be very clearly stipulated what level of effectiveness and what level of confidence we are prepared to accept as well as to make sure that there has been a testing program in place to give you that effectiveness and give you that confidence.

Mr. PERLE. Mr. Chairman, if I could just add, I don't know anyone professionally involved in this subject who believes that 100 percent is achievable. And the notion that because you couldn't achieve 100 percent you shouldn't do anything was an argument that has led us in part to the situation we are now in. So nobody is asking for 100 percent.

I think that your point is extremely well-taken. The word practicable might have been a better word than possible, but I think everyone in this room understands that we are talking about a sensible program, a program that fits within budgets, that fits within the broad parameters of national policy, and no one is suggesting that we should race at unreasonable speed and an unreasonable cost in the direction of developing a ballistic missile defense.

Mr. HADLEY. Absolutely.

The CHAIRMAN. Mr. Geren from the State of Texas.

Mr. GEREN. Thank you, Mr. Chairman. I will be brief.

But at the risk of sounding Pollyannaish, from listening to people on both sides of the committee as well as listening to the people on the panel, it doesn't seem to me that we are as far apart in our goals as perhaps we thought coming in.

My side, we are focusing on "shall develop." Your side is focused on a very expansive reading of "possible," as Mr. Perle and Mr. Hadley both have read into possible, practical considerations of other options, other alternatives.

Perhaps just a careful read—and as Mr. Bateman worked through this language, perhaps a redrafting of this we could come up with something, that certainly you aren't going to please everyone but something that people are more comfortable with.



Because if you do emphasize the "shall," it does sound like we are taking away all the authority and all the discretion away from the Secretary of Defense. But if what we are asking by this language is, Secretary Perry, please go do a study that we as a committee want to see what it is going to cost, what the tradeoffs are, what is involved in coming up with implementing this policy and come back to us so that we can consider it when we consider our authorization bill, I would expect that most of the folks except those who just say, as Mr. Pike, they don't believe in this policy, could agree with that. And the process that we all believe so strongly in would not be degraded.

And what I would like to ask is that, after this hearing, if we would take some time in a bipartisan manner to work with this language. And if "shall" doesn't mean, by gosh, Mr. Secretary, you do it. Put your blinders on and come back and you do exactly what you were told. Let's make sure the language reflects that.

And if as soon as possible means practicable and we can interpret that in a way that does give him some discretion and doesn't cause him to ignore all of his other responsibilities, let's make sure that is there.

I just, having listened to this all morning, feel like there is more common ground here than we conceded going in. And, really, I guess I don't have a question, but I came here thinking this was just going to be a fight. There would be irreconcilable differences. But after listening I am not sure I think that any longer.

I would just like to ask the chairman and the ranking member if we can't try to work together to come up with language that is respectful of the process, that is critically important to the comity of this committee, the effective operation of this committee. And I think of all committees in the Congress this one has to be bipartisan because it is so important that the American people have confidence that the armed services of this country, that the decisions about it are made in a bipartisan manner. So I think we have an obligation that transcends just the value to our operation of the committee of proceeding with comity in a bipartisan manner.

I have no further comment, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Geren.

I can identify with your remarks, and I appreciate them. As a matter of fact, you have already gotten probably a letter from me or you will be getting one to the effect that in the chairman's mark I am soliciting input from people on both sides of the aisle before I even arrive at my final chairman's mark in this matter.

Hopefully, we will get input from people on both sides of the aisle that will make this truly a bipartisan effort, as all matters before this committee are supposed to be, in my estimation. I want all of them to be bipartisan, and I don't want to be partisan, and in that effort we are going to try to work out language and whatever we can within the parameters of the legislation we have, of course, and germaneness.

With that, I would like to next call on Mr. Talent from Missouri.

Mr. TALENT. I thank the Chairman.

Mr. Chairman, if I may, in the spirit in which Mr. Geren commented, I recognize that it is the prerogative of the chair and the ranking member to interject comments as they see fit in between

questions, and it is not really the prerogatives of those of us who are much more junior. And I probably should not have transgressed on the gentleman's courtesy by asking him to yield a while ago, and if I did make it more difficult for other Members to question I would like to apologize to you and to the committee.

Let me just go into the issue of the possible risk that is out there because you said something, Mr. Pike, which didn't really compute with me. I will give you a hypothetical. Maybe you can comment on it, and then maybe Mr. Perle or Mr. Hadley can comment on it.

You suggested that the existence of a national defense system would have no or no substantial impact on the decisions a President might make or, indeed, I suppose a foreign power might make in the instance where some regime had an ICBM with a nuclear weapon because, since we couldn't be certain we could stop it, that it would, therefore, not enter into the decisionmaking at all.

Let me give you this hypothetical then. Saddam Hussein develops an ICBM with a nuclear missile. He attacks Kuwait and takes it and is considering attacking Saudi Arabia. In which case the Israelis indicate to us they may have to get involved, and we could have a general war in the Mideast, freezing all the oil reserves there, possibly bringing the Russians in or whatever.

OK. The President has to decide how to proceed. Now, obviously, he has the offensive capability to wipe out Iraq. Saddam Hussein sends the message that if we intervene conventionally in any way he will go down in a blaze of glory and shoot the missile at us.

Are you telling me that the existence of an antiballistic missile system with, let us say, 90-percent effectiveness, giving the President a 9-out-of-10 chance to shoot that missile down, would not enter into the President's deliberations in considering the spectrum of risk of different alternatives or into Saddam Hussein's deliberations in considering whether he could indeed bluff the United States into not responding conventionally?

Mr. PIKE. I think the question has much more to do with the national interests that are at stake. The question is not what would happen once the nuclear weapons are used. The question is what is the probability that the nuclear weapons would be used.

Mr. TALENT. I agree.

Mr. PIKE. The question is whether the matters that are at stake are worthy of risking a general nuclear exchange. Saddam Hussein has to ask himself is Kuwait worth turning Iraq into a sea of radioactive glass.

Mr. TALENT. Isn't he less likely to shoot that ICBM at us knowing that we are more likely to respond because we have got a missile defense that gives us some chance of shooting it down? Doesn't that unravel—tend to unravel the whole scenario for him so that he is less likely to try it in the first place?

Mr. PIKE. Let's go back to Desert Storm. There are two dynamics there. One of them is we have an antimissile system that we claim is perfect. President Bush, post-Desert Storm, says that Patriot was working perfectly. Certainly the impression that was created in the case of a lot of people watching television was that Patriot was working the first time, every time. That did not appear to be slowing down Saddam's Scud attack.

On the other hand, prior to—during the Desert Shield phase of that operation, there were statements made by Israeli officials, French, British and American officials that if Saddam Hussein initiated the use of weapons of mass destruction that he would regret it. He did not initiate the use of weapons of mass destruction.

I would say that the case history that we have here is that the existence of the Patriot really didn't seem to make too much difference as to whether Saddam decided to fire Scuds. But the certainty that if he initiated the use of weapons of mass destruction that Saddam Hussein might have been the first to use weapons of mass destruction but he knew that he would not be the last, and that stayed his hand.

Mr. TALENT. Do any of you other gentlemen care to comment?

Mr. HADLEY. Two points. Strategically, the Patriot missile did what it needed to do, which was to permit Israel to stay out of the war and, therefore, not fraction the coalition. It was an enormous strategic success.

Operationally, it had some problems partly because, as you and others know, it had a very checkered history as to whether it was going to be an antiballistic missile weapon or not. It was redirected a number of times to be antiair only, and so we had a case where it was a very close thing whether we would have Patriots available at all.

And I think it is strange to me to argue from the imperfections of that system that no system is preferable. And on the deterrence point I think, having been in the administration, it was a very unclear thing whether we could come out with a formulation that would deter Saddam Hussein from using weapons of mass destruction.

The public debate was very unclear as to whether we were going to consider retaliating in kind or not if he exercised those weapons. There were all kinds of operational reasons which we can get into at some later point as to why he might not have used what capability he had, so I think that is not a clear case of deterrence at all.

Mr. PERLE. I think it is very clear from the very concise way you pose the question that it is bound to be a consideration in the mind of Saddam Hussein and in the mind of an American President. And if one were talking about nuclear weapons and intercontinental ranges, the ability of the United States to intercept that missile would not only affect the way in which an American President might choose to deal with that threat but it would affect the way in which the threat was posed in the first place.

And, indeed, one can take it a step further and say that a convincing ballistic missile defense can be a powerful deterrent to the development of that offensive missile in the first place. If you know that at the end of the day, after having made a huge investment in acquiring a ballistic missile, it still has to penetrate a defense that it may not be competent to penetrate, you may not embark on that program in the first place.

Mr. TALENT. I thank the gentleman.

I would close by saying, Mr. Chairman, it just seems to me that in the analysis of somebody like Saddam Hussein who is considering possible nuclear blackmail, if the existence of this kind of a system reduces by 20 or 25 percent his likelihood that he can get away



with it, it is of obvious strategic import to the United States. I thank the Chairman.

The CHAIRMAN. Ms. DeLauro.

Ms. DELAURO. Thank you very much, Mr. Chairman.

I want to thank the panel members. It is my understanding—I am a new member to the committee—that the hallmark, if you will, of title II is its call to deploy a defense of the United States against ballistic missile attack. Secondly, it calls for the deployment of highly effective theater missile defenses.

In terms of the debate and the discussion on policy and what U.S. policy ought to be, it seems to me that this precisely reverses the priorities that up to now had been widely accepted and that is the theater missile defenses are top priority. And not as a member of this committee but as a Member of this House I have voted for theater missile defenses and think that is very important and that national missile defense is a distant second.

The issue is that in fact, at least for me, that we are changing policy and that what we haven't had the opportunity to have is the full and comprehensive debate or deliberation as to whether or not that policy ought to be changed. I think that is what a number of my colleagues are talking about today is that we will have been here since 9:30 this morning, we will conclude at 1 o'clock, and, in essence, the entire debate as to whether or not U.S. defense policy as it pertains to ballistic missiles will be reversed from what it has been—

And I might add I have not been on the committee before, but I understand that there is a very, very highly developed bipartisan debate that exists in this committee. And in terms of the dollar amounts focused in theater missile defense that that has been a bipartisan decision and that, in fact, that is the direction that we ought to be going in.

What is the rush? What is the rush? We are all here because we truly believe that the United States ought to be able to defend itself and that what we want to do is to have the best possible defense, given the resources that we have. And our priorities can shift and change depending upon what the threats are, but what is the rush to change this policy? And why not have a policy debate that, in fact, then says what is effective, what isn't? What is the effective level, what isn't? And what are the various costs involved with those levels?

And then we can make a decision based on the best information in order to provide the best defense for this country. That is essentially what my basic question is about this.

Because we do have other priorities—readiness, modernization. I come from a State that is very defense dependent, from Connecticut. These are very important issues. And yet we seem to be putting, as the ranking member said, the cart before the horse. Let's debate our policy on national defense as it pertains to ballistic missile defense.

Mr. PERLE. You certainly—

Ms. DELAURO. And why should Congress accept this reverse in policy based on three and a half hours of debate on this issue?

Mr. PERLE. Well, if I may suggest, the change from the notion that we ought to have a national defense to the idea that we

shouldn't have a national defense and that we should shift funds that were envisioned for that purpose to theater defense was made without even 3 hours of debate in the Congress because it was made entirely in the executive branch by an incoming administration that was opposed to national ballistic missile defense. There was no debate.

The Secretary of Defense, a man I greatly admire, stood up and said we have a new policy. We are not going to have a national defense. We are going to put our effort into theater defenses. And there was no debate, and Congress was given the opportunity to debate it subsequently.

So what this does in a sense is restore the status quo ante, and it brings you back to the changes that were implemented when the new administration came into place. And there will be plenty of time to debate subsequently, just as you had time to debate subsequently the change that took place in 1992.

Ms. DELAURO. But, in fact, this does place a mandate—and I am not suggesting because, as I said, I was not on the committee so there was no debate. In fact, maybe there should have been to try to do the same thing, to tilt the balance I think becomes a bit of posturing versus whether or not, in fact, there is—

What we have come to a conclusion on is, after a review of what is and the Congress has voted on this issue—I mean, they have voted over and again, and they have come to the conclusion—they have come to some conclusions about it. And so that there is not—we are lacking at this moment the opportunity to make the decision we have to make next week on very limited information. And my time is up.

Mr. PIKE. I think the problem that you have is that if you examine the guidance that is provided in this language to the Secretary of Defense as to just exactly what sort of system are we talking about here and what is it that is to be portrayed in the report that is to be submitted next year, that you are really—that the process that has been entrained thus far really has not provided adequate guidance.

What does it mean, the earliest possible date? I think that there would, obviously, be some advocates of ballistic missile defense who would say that, well, the earliest possible date is about 36 months down the road. I think that the administration has made a judgment that the earliest possible date is a decade down the road, more than a decade down the road because of their inability to identify what would constitute highly effective because of their inability to identify a threat against which that effectiveness could be gauged.

We have had discussion here about what constitutes effective. In the absence of a political guidance out of a reasoned process here, reasonable people can disagree as to what constitutes effective, but we are going to have the Secretary of Defense run off, spend all of this time making a report without any sense of what it is that the American people want him to be trying to do.

The CHAIRMAN. The time has expired. I want to assure the lady that we will have ample opportunities to debate this matter, and we are going to have this additional hearing on Friday with the Secretary, and so I can assure the lady you will have all the time



you want to ask all the questions you want, and we will debate this thing at length. Everybody's rights will be reserved.

With that, I would like to recognize Mr. Underwood from Guam.

Mr. UNDERWOOD. Thank you, Mr. Chairman. I appreciate the opportunity even though it is a little bit late, but such are the vagaries of the membership on the committee.

I have a very strong and personal interest in the issue of missile defense. I think in the discussion between national defense and theater defense, I think Guam fits into the theater defense issue.

And I am a little bit curious as to the discussion of the capacity to hit a U.S. territory. I think North Korea may have that capacity in short order. And that, unless Guam is not considered a U.S. territory, the discussion of hitting a U.S. territory is very real to me and very real to the people I represent.

Notwithstanding that, I still remain a little dubious about—and a little critical about the whole approach given here and the attention given to national missile defense. And I would like to just venture a couple of comments, raise a couple of fundamental points, and ask a question.

One is the characterization of critics in the opposition. I know that sometimes hearings have a kind of up and down. We start off a little combative, and then we start to profess that we are behaving in a bipartisan manner and we are not so far apart after all, and now—then we reach the end. It always seems to have a kind of ebb and flow of its own.

But I think that the original position and the paper presented by Mr. Perle tended to characterize opposition as rigid and as highly emotional, and I would like to draw attention to that simply because I think that both opponents and adherents of a national missile defense system can be equally rigid—can be equally rigid in their approach.

And I think that we all have to concede that some advocates and some opponents on both sides of this issue can be equally rigid.

Fundamentally, I think what we have here, as has been advertised, is a policy debate, but it is a policy debate that is occurring in a vacuum, kind of in isolation from other critical issues. Because in all policy debates, we must address the issue of resources, competing priorities. Even Mr. Hadley recognized and raised the issue that as an outside witness he cannot provide inside perspectives. And it is those very inside perspectives that would inform the discussion as to whether we are going to proceed on this policy.

I am happy to note that we perhaps will get some of those on Friday. But that wasn't part of the original plan, and I am glad that it has worked out that way. And as we address this issue, we have to talk about competing priorities.

And for me, I share a great deal of concern about the quality of life of our people in uniform. And dollars are important. And while I recognize that Mr. Perle had indicated earlier that this would jump start the process of policy debate, it might in fact—it might in fact short-circuit the whole thing.

The second point is—the second fundamental point is threat assessment. I know that we cannot afford to be wrong on threat assessment, but I think we shouldn't—we must spare no effort in

finding out what is right. What is a legitimate assessment of our existing threats and what are the more likely threats?

That is why I was interested in Mr. Pike's analogy of insurance, looking at national security, and our defense posture, as an insurance policy. And I would take it to—I would take it, based on what Mr. Pike has provided us this morning and this afternoon, that accepting this as our national policy priority would be like or similar to acquiring insurance against typhoons in Virginia.

How do—what do you see in terms of the threat assessment, and why are all three of you so far apart on that?

Mr. HADLEY. If I might, let me make the point about threat assessment. One of the problems that this committee has and the country has is protecting against surprise. We got very good, we thought, at figuring out what was going on in the Soviet Union, we spent a lot of resources following it.

We found out in the gulf war, we were less good at finding out what was coming on in other countries with respect to proliferation, efforts to acquire weapons of mass destruction, and the means to deliver them. We were surprised at how far Iraq was along on some of its programs. That tells us that there is a limited—that we have limited resources to figure out what is going on and that problem is compounded when it is not a question simply of countries being able to go through the laborious process over time of developing indigenously the technical capabilities to launch ballistic missiles or develop nuclear weapons.

But the prospect we have now of transfer, coming out of the former Soviet Union, coming out of a country like China, as you pointed out, coming out of a country like North Korea, where in fact you can transfer a whole system. That is something that allows a country to become a player in terms of weapons of mass destruction and the means to deliver them very quickly. And I think that is the kind of unwelcome surprise that you need to hedge against.

The point we are making here is, in order to hedge against that, you need some kind of actual program that says you are going to be in the business of developing a defense for that kind of—

Mr. PIKE. Clearly the Clinton administration has taken that into account, that we are spending a half billion dollars a year, that strikes me as being a fairly hefty insurance premium against those types of things.

The fortunate fact, though, about long-range ballistic missiles, is that unlike the development of nuclear weapons or chemical or biological weapons, things can basically take place underneath rooftops or in caves where our reconnaissance satellites have a hard time figuring out what is going on. Ballistic missiles are something that do have to be tested in order to have some reliability, and that testing is extremely visible. And in the case of every other country which has developed them, it is something that has taken a long time before you had a ballistic missile that anybody would have any confidence in.

So I would say that in terms of indigenous development, that there is every reason to expect that we would see that coming a long way off. And in terms of the transfer of whole systems, I think the negotiations that the administration has undertaken with

China and Russia in terms of finding alternative sources of employment for their aerospace industry, has substantially diminished the risk of transfers of whole systems, and certainly done so at a fraction of the cost of spending billions of dollars on an active defense system.

Mr. PERLE. Just on the last point, I think that is really quite wrong. There is simply no way that we can ensure against the elicited sale of a ballistic missile by somebody who stands to get rich in a single deal. It is a very real danger. It is beyond the control of the governments that we are working with. And in some cases may even be contrary to the government policies. And I would point again to Chinese exports to Iran of missiles, over our objections, which I believe continue even to this day and may well be a problem in the future as well.

On the question, if I may, of the emotionalism of the debate, my reference was to the architects of the policy, and not to people who have to vote one way or the other. Because I think if there is ever an intellectual history of this issue, it will show that the opposition in principle to the notion of defense attracted a great deal of passion. And there are people who are just dead set against having a defense.

It isn't a question for them of priorities, it isn't a question of cost, it isn't a question of technical efficacy. They believe and have argued, have not been shy about arguing, that vulnerability is desirable, that the safest condition is a condition of mutual vulnerability. This is a doctrine that has been vigorously argued for the last quarter century by people who wouldn't want a defense even if it were free and even if it were effective, because they thought it would be a source of instability.

And what astonishes me, and hence my reference to the passion and the emotionalism on this issue, is that the people who held that view during the cold war continue to be opposed to defenses even in the post-cold-war world where the purpose is different, the program is different, the objective is different.

Mr. UNDERWOOD. Well, on that point alone, if I may, Mr. Chairman, it just seems—

The CHAIRMAN. Briefly.

Mr. UNDERWOOD. May I?

The CHAIRMAN. Please conclude, yes.

Mr. UNDERWOOD. It just seems—to me it just seems inappropriate to raise that in this context. Because what we were supposed to engage in was a discussion of the advocacy of your own positions, and I respect that entirely, but it seemed like we were arguing against people. And now you clarified that they are not even in this room, that they are not people who are members of this committee.

So I think the way that the debate was characterized quite missed the point. I think the point is what are we going to do in terms of as a national priority, not deal with debates that go back 10, 15, 20 years, even though I respect the fact that you have been part of it.

Mr. PERLE. I described it as the source of the current policy. Because there is—let's be clear, the current administration is opposed to developing and deploying a national defense for the United



States. It is opposed to doing that. It will reluctantly put a little bit of money into research and development, not very much. And it insists on living within the parameters of a treaty that they know makes it extremely difficult, if not impossible, ever to develop an adequate, cost-effective national defense, and are even now engaged in expanding the constraints of that treaty to theater defenses.

So I think we have to—there is a real debate here, and it is a debate over whether we are for or against national defense for the United States. And the current administration is against it.

Now, as long as they are there, the Congress has to decide whether it wishes to exert its constitutional authority and insist over the objections of the administration that they at least come forward with a plan that you can then evaluate. I don't know of any other way to change their minds. That is what this debate is all about.

The CHAIRMAN. Thank you.

We better hurry on here. We have only got 10 minutes and three people to be heard from.

Mr. McHale from Pennsylvania.

Mr. McHALE. Thank you, Mr. Chairman.

Gentlemen, good afternoon. I thank you for your eloquent and well-informed testimony.

About 2 hours ago, the President of the United States landed in my congressional district. I had the opportunity to accompany him on that visit. Truly because of the importance of this hearing, I made the decision to be here with you. My wife Cathy is now with the President. We sit here and I frankly and very seriously believe that I made the right choice.

I don't think that our country is going to confront a more serious issue involving the fundamental security of the United States than those topics directly related to the question of whether we deploy a strategic ballistic missile defensive system. When it comes to the defense of the United States, I am totally nonpartisan, totally non-ideological.

I listened to Mr. Perle's comments with regard to the theater defense that we need to develop. I believe that that was one of the acute deficiencies highlighted during Desert Shield and Desert Storm, that while we had the ability to protect a limited number of strategic sites, port facilities and so on, our troops deployed in the field were largely defenseless against not only a potential nuclear attack, but more likely in that scenario a chemical attack.

So I am with you completely, Mr. Perle, with regard to a theater defense.

With regard to a strategic defense, my analysis really comes down to one question that I present to you, and that is, why would a future enemy of the United States attack into our known defenses? And I would draw an analogy, if I may, and then invite you to critique it.

In September and October 1990, Saddam Hussein constructed a state-of-the-art static defensive position along the Kuwait-Saudi Arabian border; dense mine fields, large artillery engagement areas, mutually supporting infantry positions, tank ditches that were allegedly filled with gasoline, ready to be ignited if we were

so foolish to attack into those defenses. Applying maneuver warfare, we quite wisely simply ran around those defenses and massed our firepower on those points of greatest vulnerability in the perceived enemy defenses. Saddam Hussein almost felt aggrieved that we weren't foolish enough to attack into his minefields.

With that as an analogy, assuming that it is technologically possible to build an umbrella that would protect the continental United States, and assuming we could meet the enormous costs that would inevitably be associated with such an effort, why would a future enemy of the United States, in light of the miniaturization of nuclear devices, seek to penetrate that umbrella rather than slip under it?

We have heard references to that difficulty earlier today, and if you could respond to that, I would appreciate it. If we build it, and if it works, and if we meet the cost, in light of how small nuclear devices are becoming and the ability to have a much wider range of delivery systems, why would that system, once in place, protect the United States?

Mr. PERLE. It is a very good point, and I spent years arguing that all of our planning for war in Europe was based on the assumption the Soviets would attack where we were strongest. It always seemed to be the flanks were far more dangerous.

I think your point is a fair one. If we had a ballistic missile defense in place, it would compel someone who could not be confident they could penetrate it to try to find some other means of attacking us, and then we would have to deal, indeed we have now to deal, simultaneously with all of the threats to which we are vulnerable.

So it is not a panacea; it is not a total solution by any means, but there is a race out there by a number of countries to acquire ballistic missiles. They have political consequences that a clandestine introduction of a nuclear weapon probably doesn't have. And the miniaturization is not so easy for countries with primitive capabilities.

But the point is well taken. If the only thing we did was ballistic missile defense, and we had no reasonable expectation that we could defend against other threats, then clearly they would go around.

Mr. PIKE. But this scenario that we claim to be worried about here, where the single intercontinental ballistic missile is launched against some major city in the United States, this entire scenario basically seems to have proceeded from the assumption that the only thing that has stayed the hand of North Korea, that the only thing that has stopped Iran or Iraq or Libya or whoever your favorite regional adversary is, that the only thing that has stopped them from attacking an American city, these many years is the fact that they just haven't been able to get to it. And that the only way that they can attack North America, that the only way that they can attack American interests, is with an intercontinental ballistic missile, and that as soon as they have that capability, they will do so.

I would suggest quite to the contrary, that an intercontinental ballistic missile is the most difficult means of delivery that these countries might have available to them, that there are a wide variety of other means such as we have discussed here today for introducing weapons of mass destruction into the United States that



have been available to a number of countries for a very long period of time, and the fact that none of them have done so suggests to me that it is something other than simple raw physical inability that has stayed their hand.

And I suggest that that is the same thing that stayed the hand of Saddam Hussein in using chemical weapons during Iraq, the certain knowledge that if he initiated the use of weapons of mass destruction that he would not be the last to use them and that our response would be swift and it would be terrible.

Mr. HADLEY. And I would just say I think that is not the scenario. I think the thing you have to be worried about is that we decide that we need to do something like the gulf war. And Saddam Hussein, if he had a ballistic missile armed with a nuclear weapon, would say stay out of it or I am going to take out New York. I think it is the possibility that the United States would be subject to blackmail, and therefore be deterred from going overseas and doing what it needs to do, is the concern.

And I would turn your question on the head. We do do a lot to try and prevent other ways of introducing nuclear weapons. We have defense against aircraft, we have customs restrictions, we have metal detections. I mean, we try and do as good a job now with respect to these alternative means of introduction. The irony is that there is one means of introduction for which we do almost nothing. That seems to me the thing that you have to explain: Why with respect to the one do we do nothing?

Mr. MCHALE. Well, my time has expired and I appreciate the answers of all the gentlemen.

I would simply comment in closing that my concern is that if we were to build a strong, static, nuclear defense, that we would remain subject to blackmail. Our potential adversary would simply choose a different delivery system. Make the same threat, but utilizing a delivery system not subject to the, let's assume, the potent capabilities of the static nuclear defense we have put in place.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

We are getting close to time. I was just wondering, we have three members who have been very patient and remained. Would you mind staying over for a few more minutes, the panel? We promise to try to hurry things along.

With that, we will recognize next Mr. Buyer from Indiana.

Mr. BUYER. Thank you, Mr. Chairman.

I enjoyed the conversation, that is kind of what I want to characterize this, and the debate. I am not, as a new member of the committee, I have been here for 2 years now, I am not sure if I totally embrace the—I like the concept of national ballistic defense, but I am not sure if I am totally in what is in the presently drafted H.R. 7.

Something—let me begin this by saying Mr. Dellums made a comment in regard to fantasy. There isn't a Member in Congress that I respect more in his ability to articulate his position, nor has there been a member here that has challenged my mind when I served on this committee as he when he was Chairman for 2 years. He challenged every member to always don't accept what is in front of us, but to look beyond that.

I was bothered, Mr. Dellums, when you made a remark that protecting our country by an umbrella of national ballistic defense is a flight into fantasy. I am bothered by that, because I think that even violates some of your own principles that you set out to challenge us for 2 years, and maybe you challenged many long before I was ever here.

I think that the use of a submarine was a flight into fantasy, I am sure, to John Paul Jones, who had nothing but a ship. And that the use of—that a use of flight, air power, in the land battle, was a flight into fantasy for General Sherman, who could only utilize balloons on the battlefield. And I am sure that the use of an atomic weapon was a flight into fantasy for General Pershing and General Summerall in World War I, and that the use of satellites and unmanned aerial vehicles was a flight into fantasy for General Eisenhower for World War II.

Moving away from even the battlefield scenarios, Jules Verne took science fiction and foresaw people traveling beneath the sea and saw travel to the Moon and turned it into reality. I am glad that over time science was not disturbed and the innovation of the private sector pushed the outer limits.

I think so much of this town is a discussion on RMA, the revolution of military affairs. I think we are in a transition period. That is my opinion. But the question before us I think is, at what speed do we want to move forward?

I think that so much in your profession, perhaps you always have heard science fiction becomes science fact. But I think it is very important for us to remain focused and to push the boundaries of science. And what we are faced with is, as we do that, how can we—I don't care, whatever weapons system we talk about, how are you then able to assemble a weapons system that is practicable, effective, and affordable, and then we set forth our requirements when we need that system for deployment?

So I am—I am sitting here saying I know what is in front of us, that we are bringing down our force rapidly. We continue to have an administration that forces our military services to be deployed all overseas, many places throughout the world. We have problems with our airlift and sealift capabilities and trying to pay for that. We do have a readiness problem. How are we going to fund that. I think it is very important that we always remain focused on the science, to focus, to make sure that we have a highly effective theater ballistic defense, while at the same time we keep our eyes not on the fantasy, it is not a fantasy, it is the science that someday might become the reality.

We are sitting here trying to figure out what 2050 is going to look like. My grandfather went from the buggy to see a man on the Moon before he died. Think of that, think of what he saw in his lifetime, compared to what our children or grandchildren are going to see.

Mr. Pike, was your association—were you supportive of even the development of the Patriot missile system? Did you even think that was a good idea?

MR. PIKE. The Patriot missile system in what timeframe, the 1960's, 1970's?

Mr. BUYER. Did your association ever think that we should move forward in the development or the deployment of the Patriot missile system?

Mr. PIKE. I don't have any indication that our organization took a position on that one way or the other.

Mr. BUYER. I had been informed that you had opposed the development of the Patriot. I am curious. If you can let me know later on, I would sure like to know. Because it goes to the credibility, goes to the credibility of a lot of your arguments here today.

Mr. Chairman and to Mr. Dellums, I am one member that would like to work with you as we move to the mark of the language here on the—on whether we should—the “shall enforce the deployment at the earliest possible time.”

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

And my colleague from South Carolina, Mr. Spratt.

Mr. SPRATT. Mr. Chairman, I thank you for the recognition. I am sorry I couldn't be here for the entire hearing, but I thank our witnesses for coming. I think this is a debate that is timely, I agree with you. We need to reconsider ballistic missile defense because I think it may make more sense today than it did 12 years ago. That is because 12 years ago each of the superpower's arsenals had 10 to 12 to 13,000 RV's, warheads, and that was enough to saturate almost any conceivable defensive system.

Furthermore, there was enough lift to spare to launch decoys and chaff and things that would spook the system into midcourse and none of those problems was ever resolved, at least as long as there were 10 to 12,000 warheads on each side.

So I think it is timely to have this debate. It makes sense. But having sat here for 12 years and watch us spend \$30 billion developing strategic defense alternatives, and yet we don't have a thing fielded to show for it today, I think it is also right that we be wary about forging ahead with something. Because we can't afford—we might have been able to afford that kind of profligacy in the 1980's when there was plenty of money to spend on defense, but literally today every dollar we spend on BMD has a dollar cost, but it has a big opportunity dollars.

We may have been able to expand the budget in the 1980s, we can't today. There is a tradeoff. If we want to spend more money on BMD, we are probably going to spend less money on TMD.

So the debate is which one is more compelling, and I lean toward saying that theater missile defense right now is a more compelling objective than ballistic missile defense. And it may less money on ONM. I don't think we want to hollow out our forces. That is a pretty sacred commitment around here.

So if the tradeoff goes to objectives like that, then BMD I think has to be subordinated to other objectives. And we have to keep in mind, too, I think what is obtainable in the near term. We are talking about the earliest possible date, and numbers like \$7 to \$10 billion being held out as the cost of a deployable system, but that is about a hundred interceptors, it is two ground-based radar systems, and it is some brilliant eyes. I don't know whether the number is classified or not, but it is a small number of space-based sensors that would aid in tracking and acquisition of oncoming RV's.



That system basically is enough to protect us against an accidental launch. It really doesn't give you very much robustness in dealing with things like midcourse determination, and if the accidental launch was more than 20 or 30 or 40 RV, it was more of a rogue commander's launch, not just some accidental launch, then it could pose a problem. This would still be a system that could be penetrated. You don't have an endoatmospheric intercept in it, you have only got exoatmospheric interceptors.

When we started off, it was sacred writ that if you didn't have the endoatmospheric, it probably would not be a leak-proof system. So you got to bear in mind, too, what we are talking about building.

And one of my concerns is that one of the opportunity costs could be if we hype this up again at this particular point in time, ratification of START II. Now START II represents a bird nearly in hand. Ballistic missile defense represents a bird still in the bush.

The chairman and I, 2 years ago, had lunch at the White House in Russia with members of the national security committee of the Duma. A couple of them are over here, so they are still in the new Parliament. And they were concerned then—one of them was a colonel from Semipalatinsk, now in the Duma—and he was concerned that his negotiators had sold him out on START II, that they had given up the land-based systems that Mr. Perle was very concerned about, the SS-18, they had given those systems up in preference to SLBM's, where we had clearly a superiority to their technology. And they weren't for ratification of START II. They wanted to reopen the START II agreement.

If we now come along and say we are beginning to deploy a territorial ballistic missile defense that will give us complete protection against your ballistic missiles at the same time we are trying to drive down the number of your land-based systems, who knows? Then knees may buckle, they may not want to ratify START II.

I don't think the tradeoff of START II for, at this particular point in time, is a good tradeoff. So I think we have got to be careful about the language we use and the goals we hold out.

One of our witnesses who sat where you are sitting right now about 6 or 7 years ago was Robert Spruel, and you probably know Dr. Spruel. He was a supporter of ballistic missile defense, but he said, "I am troubled by the way all of this is being hyped. I am troubled about the way it is being planned. Because," he said, "I see lack of clarity in your goals and inflexibility in your time-tables."

That was particularly when we were doing the ballistic missile defense act of whatever it was, 1990, trying to set 1996 as an early deployment date. His advice was, keep your technology goals clear and constant. Leave your time flexible. If we say earliest possible date, we can put together an exoatmospheric interceptor, put it in the field at a very early date. We can put some sensors in the air. But they are probably going to have suboptimal focal plane arrays that will need to be replaced in 5 to 6 years. That is not the kind of investment we want to make at this point in time.

For my money, I think it is worth moving ahead and trying to define some goals and trying to enunciate a new philosophy of ballistic missile defense in this world of fuel warheads. But I think we

also in the same step ought to be cautious, shouldn't hype it, particularly because of the START II ratification, but also because this is not something we can afford to push and waste money on and the limit in the limited budget environment in which we exist. I make that as a statement for your reaction and comments.

Mr. PERLE. I would very much like to comment on that. And I am very sympathetic to the view that the timetable should be a flexible and a sensible one.

And the idea that has developed in the course of the discussion about using the term "other than possible" appeals to me, "practicable" seems to me a better term, that embraces concept of orderly and cost-effective development. We shouldn't rush into something that is going to be quickly obsolete.

Mr. SPRATT. What about treaty, complying with the notion that the treaty may need to be amended to afford—

Mr. PERLE. Well, the point I really wanted to take up was this question of whether a philosophical change, a policy change, would prejudice START II. I mean, I think anybody, any Russian today who is lamenting the START II agreement is out of touch with reality. And I would not build a system that was designed to be consistent with the ABM Treaty as we know it now, a hundred interceptors. That makes no sense at this point.

So I would put great emphasis on renegotiating those limitations to take account of the way in which the world has changed. And the idea that a Russian from Semipalatinsk is worried that they have given up too much because he—presumably because we might launch a nuclear attack against them and they have given up SS-18's, when we are supplying them with aid and doing everything we can to keep that government afloat just strikes me as ludicrous.

I mean, the fact is that the—that the weapons were never the problem. The problem was always the political relationship that gave rise to the weapons, and that is now radically altered. It opens the possibility for some really new thinking about what we and the Russians can do cooperatively. There will be some bureaucratic obstacles, there will be a retired general from Semipalatinsk who will resist right to the very end, and we have to get beyond that. But get beyond it we must. Otherwise we are going to be mired in a treaty that is no longer relevant to our concerns.

In any case, no one is talking about building a defense so formidable that it could cope with a massive missile attack from Russia. That is not the purpose that I think any of us is advocating. The task has become easier now. This may be the only example in which despite the tremendous rate of technological development it will be easier to develop a ballistic missile defense now than it would have been a few years ago, because the threat is a radically different threat, it is no longer the sophisticated threat of a highly coordinated Soviet attack using modern technology. We are now talking about much less formidable threats, quote, "qualitatively and quantitatively," and so the costs are radically less.

One of the things title II will do is compel the administration to think through what can be done, to develop the kind of defense that is appropriate for the post-cold-war world. It is a major shifting of gears, because all our thoughts about ballistic missile defense in the period you referred to were in the context of having



to deal with a formidable and responsive threat. Now we are talking about dealing with a much more manageable threat at greatly reduced cost.

Mr. PIKE. I would certainly hope that the moment would arise that we were simply not concerned about the nuclear weapons of the former Soviet Union. I would think that we could all agree that that moment would come much more quickly if the number of those nuclear weapons were reduced. I think we should certainly be doing everything that we can to create a situation in which the number or character of nuclear weapons in Russia is of no greater or less concern to Americans than the number of nuclear weapons in the United Kingdom or Britain.

I think that everyone recognizes that we have not achieved that yet, and that for the foreseeable future we are going to remain in a transitional period when we are looking to the future, but nonetheless have to recall the past.

I think that as long as we are concerned with achieving START II ratification, as long as we are concerned with carrying that process forward, getting a START III agreement, starting to get some serious reductions in the Russian nuclear arsenal, that the logic that coupled the relationship between offensive and defensive forces is going to continue to halt.

So the question before us is, what are we more worried about? Are we worried about the thousands of nuclear weapons that Russia used to point at us when it was the Soviet Union and might start pointing at us again? Or are we—and actually existing nuclear weapons on actually existing ballistic missiles. Or are we worried about one or two nuclear weapons on one or two ballistic missiles that don't exist now, that our intelligence community says will not exist for at least another decade, and may not exist for some time after that.

I think that it is very clear that it is the former Soviet arsenal, the Russian nuclear arsenal that at least for the rest of this decade has to take priority over some hypothetical arsenal that might emerge at some point in the third millennium.

The CHAIRMAN. Thank you very much.

Mr. Browder has been very patient. He was here earlier and then left and came back.

Mr. Browder from Alabama.

Mr. BROWDER. Thank you, Mr. Chairman.

I too would like to acknowledge, Mr. Chairman, your leadership on the emphasis on the ballistic missile defense issue and the, you know, the hearings that you have called. I think there are many of us—this is not a partisan issue—there are many of us on our side of the aisle who support this effort and would like to work with you on this.

I would like to raise one concern that I have, and I guess get a response from the panel and also by way of doing so, make a request to the Chairman.

Mr. Hadley, you have outlined a very useful history in your presentation to us that I think is worth revisiting briefly. Back in 1994, there was bipartisan agreement on the ballistic missile defense system and the direction that this country should head in. A Republican White House, a Democratic Congress, agreed to direct the

system into a phased approach, from going first from the regional and theater missile defense approach, then to a ground-based defense against—a national defense, and then proceed perhaps to space-based missile defense. That was in 1991.

Mr. Perle has made an issue of this and I think he is right. Since that time, the administration has backed—backtracked on this issue. And now we have a proposal to accelerate beyond the 1991, I think beyond the 1991 agreement.

And I understand the constraints and the urgencies of this concern by the chairman and the leadership, majority leadership in Congress now. But I think what we have so far, we need to be sure that we proceed deliberatively on this, without slowing it up or killing it.

But so far Congress must make this decision, this committee must make a decision, then Congress must make a decision. And we have had outside experts providing your experience and expertise. We will have the administration talking to us.

But just as you are not able to answer some questions, I don't think the administration is going to be prepared to answer our questions.

Congressman Skelton has raised the issue and others have raised the issue about the tradeoffs in terms of our troops. So we are going to have to make some decisions about tradeoffs. And I think that it is important for us to have the input from the people who are responsible for those troops, the uniformed military.

Mr. Peterson mentioned that he had spoken with one general who expressed some reservations about the direction that we are maybe considering. I spoke to another general who expressed concerns not only about what the administration is doing, but about where we seem to be heading in this proposal.

I think the military leaders who are here now could be very useful to this committee, if we would not rely just on what Congress is saying or what you are saying or what the political leaders of the administration are saying, but if we brought in the military, some military leaders, and got their input, I think they would perhaps tell us to do something that is different from what the administration says or what the congressional leadership is saying right now.

And perhaps they would be more inclined to go back to that 1991 agreement and say that the threat—there is a threat that we must prepare for from the—for national defense, a national defense system. But we have to make a trade-off between how far out that is and our current requirements.

And right now, I think that they may tell us, obviously this is what I have been told, is that we need to emphasize at this point the ground-based defense program.

Let me ask you a question. Do you think that if we ask the military leadership to give us their input, that it would differ from either what this Congress is proposing and what the administration is proposing?

Mr. HADLEY. I have been out of Government for 2 years. I used to engage the military all the time on this very subject. But I have not in the last 2 years.

Let me say that I was struck, when I read H.R. 7, and then went back and read the Missile Defense Act of 1991, how close the language was. I see this in some sense as going back to the approach that had bipartisan support in the missile defense of 1991. I read this as being evenhanded between theater defense and national defense.

It says we want both. That was the way the Missile Defense Act, as I read it—I don't want to get into a discussion about language—that is the way I read it. Others may read it differently. And it did sustain the kind of phased program that you talked about.

I would think it would be a great victory, great for the country, if we could go back to the kind of approach that was reflected in the Missile Defense Act of 1991, where both were a national priority, and where you would develop the kind of phased program that dealt with the near-term theater defense, but also began now to be able to make provision for national defense.

That was the kind of approach we had then. It was supported by the uniformed military. They were very supportive.

I would hope that that kind of approach might—

Mr. BROWDER. Would you agree with me, though, that it would be useful for us to get the military, some military leaders to talk to this committee?

Mr. PIKE. I think it would be extremely useful to have General O'Neil and a number of the other people who have been associated with this up here to discuss just exactly what the current program is and what the perceived requirements are.

Because I mean much of the debate that we have been having here this morning seems to be proceeding from some substantial misperceptions about what we are already doing. And I would agree with you that I think it would be very difficult for us sitting here to second-guess what the position of the unified commanders would be on what their priorities are.

Mr. PERLE. But, Mr. Browder, you should understand that under our system of civilian control, military officers will respond to your questions in the context of administration policy.

Mr. BROWDER. Well, I would like—I would like for us to probe that.

Mr. Chairman, I am not going to ask for an extension of time, other than to say that I hope that we do consult with the military leaders and that we can do so and without slowing up unduly this legislation. If we could work on a bipartisan basis to make sure that their voice is heard in this.

The CHAIRMAN. I understand, I understand.

Mr. BROWDER. Thank you, Mr. Chairman.

The CHAIRMAN. We are going to have military leaders and I think Mr. Perle made a good point about what I call civilian military and military military. There is a distinction and the American people don't realize it sometimes. We have to deal with both. It is a very different world.

Our new member from Rhode Island, Mr. Kennedy, walked in.

Mr. Kennedy, you want to have a shot at it?

Mr. KENNEDY. Thank you, Mr. Chairman.

If I could, I would like to ask Mr. Perle a question, since his extensive background, 25 years in this issue, certainly lends him the



title of being an expert in this area. Whether to date you can give us any—just general ballpark figure, given your experience having presided in an administration where substantial funding and spending was going toward this program, what in your view would be a realistic expense?

Because to date, maybe I missed it when I was out, but I didn't hear a number. And I don't think it is too much to ask for a number, given the importance of the decision that we are going to be making next week, to embark on something where we should have some idea exactly how we are going to get there. There may be various versions, but you more than anyone else, given your long years in this area, should be able to tell us what would be the best program to achieve that desired goal that we are all talking about.

Mr. PERLE. Well, let me thank you for recognizing that experience. The program that was looked at before was, of course, an entirely different program in a different context, beings and that in a situation where there were a number of competing technologies that were generously funded because we really didn't know what could be done.

When Ronald Reagan announced the SDI Program in 1983, there was a major effort with respect to laser technologies, there was a major effort with respect to kinetic—a great variety. At the time, the kinds of radar available to us, sensing systems, were quite different from what they are today, and a great deal has developed in the intervening period.

But even more important than that are two things that bear on the future. One is the threat is radically diminished. It is no longer necessary to design a system that can deal with thousands of incoming re-entry vehicles of a high quality—that have been made responsive to the evolution of the defense. Because we always worried, appropriately, that as we deployed the defense, the offense would respond in various ways.

So that is the first thing that is radically different. It is a much smaller and much more manageable threat.

Mr. KENNEDY. Well, from what I am gathering, what we are talking about here is a third—some nation being able to launch a missile, nuclear warhead, maybe several, far different than what you had originally designed the program to do, OK. I think we are agreed on that.

What would it cost, given—or what kind of program would you suggest we embark on to achieve the goal that you are talking about here? And can you give us a guesstimate, now I know you haven't been in touch with the military people in a couple years, but you have been, as you stated in your own introductory remarks, in this field for 25 years. What would it cost?

Mr. PERLE. Let me just introduce the second change, because I think it is important and it makes a great—it makes a big difference whether you envision a system within the confines of the ABM treaty as it is presently interpreted, or outside the limitations of that treaty. Because the treaty imposes terrible costs.

Now, having said all of that, I believe it should be possible to develop a limited defense, utilizing those technologies that are cost effective even if they are outside the confines of the ABM treaty. Within the kinds of budgets that the outgoing administration had

presented to the Congress, which were roughly \$4 billion a year, \$4.5 billion a year.

I mean, we are not talking about the enormously expensive programs that were associated with the effort to get a defense against the Soviet Union.

Mr. KENNEDY. So you would take sharp difference with the Ranking Member Dellums when he asserted, I hear no one who is refuting that it might cost in the area of \$25 billion? You did not disagree with him when he said that, but now you say 4 billion a year?

Mr. PERLE. Per year, yes. I don't think he was suggesting \$25 billion per year.

Mr. DELLUMS. Twenty-five billion over the 5 years.

Mr. PERLE. And I am not committed to 5 years. I mean I think it would be a mistake to attempt to shoehorn this program into a budget that is not wide enough to accept it. I think we want to go about it systematically and carefully and consistent with other priorities.

The key first step is the change in policy from a policy of opposition to having such a system, to one of support for having such a system. And after that, there will be plenty of controversy and plenty of room to debate the pace at which we should go forward and the amount we should be prepared to invest in it.

The CHAIRMAN. Has the gentleman concluded?

Mr. KENNEDY. Yes, I will conclude.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

And we want to recognize our ranking member, Mr. Dellums, for some final remarks.

Mr. DELLUMS. Thank you very much, Mr. Chairman and members of the committee.

First let me direct myself to the comments of Mr. Buyer. First, I am deeply appreciative of your complimentary remarks and I appreciated them very much.

And second, let me respond to your concerns with respect to the use of the term "flight into fantasy." When I used that term, I was speaking about the hype that goes to the question of effectiveness and confidence.

First of all, in the context of the cold war, when we argued that you could overwhelm the system, no one challenged the efficacy of the argument of overwhelming the system with offensive weapon capability. Even today, Mr. Perle indicated that in the context of that advocacy, they never saw a system that was 100 percent effective. So now we are talking 90, 80, 70, 60, 50 percent.

How can the human mind or the average citizen contemplate a nuclear weapon system with megaton capacity to destroy human life beyond comprehension, even understand what it means to talk about a delivery system that is 90 percent, 80 percent, 70 percent or 60 percent effective? I mean, it staggers the imagination.

So at a bare minimum, people would say, Well, if you wanted to try to understand at least in some feeble way what that meant, the next time it stormed, open an umbrella that was 90 percent, 80 percent, 70 percent, 60 percent or 50 percent effective, and then when you were drenched, speak to the level of confidence and effec-



tiveness, the damage that occurred to you as a result of that. And then don't think about that as raindrops falling on your head, but a level of megaton capacity to destroy life beyond your comprehension.

So I am saying it was the question of hype, that was in the context of the cold war. Now let's go to the post-cold war where the threat now appears to come from some Third World countries.

The gentleman from Pennsylvania, Mr. McHale, made the point succinctly when he said even if you put the system in place, why would your adversary, quote, unquote, then want to go to your strength? That means that it is—that one is capable of packing in a nuclear weapon, backpack it in, bring it in on a cruise ship, bring it in piece by piece and assemble it in a tall building and then explode it, or bring it in a bail of marijuana. Mr. Perle agreed with me this morning that that might be the safest place, because obviously it is extremely difficult to detect bails of it getting in here on a routine and regular basis.

And so the question is, my argument is, perhaps we are attempting to focus our energies on answering the wrong question at the wrong price. And that is simply what I was saying about a flight into fantasy. You cannot guarantee that you can defend against these weapons. And maybe we need to think about it in those terms.

Finally, Mr. Chairman, in order to put the comments about process to all of you gentlemen in proper perspective, sometimes it requires the need to step outside the immediacy of the issue that you are looking at to understand what it is that we are saying.

Suppose, for example, title II read, It shall be the policy of the United States to deploy at the earliest possible date a national universal health care delivery system that guarantees comprehensive health care to every man, woman and child in America. And if it went further and said the Secretary of Health shall develop for deployment at the earliest possible date a cost-effective, operationally effective national health care delivery system guaranteeing health care for every man, woman and child in America, and further, that no later than 60 days after the date of enactment of the bill, the Secretary shall submit to the Congress a plan to implement such policy, what would be the order of the day? Members would raise their hand routinely, What about the cost, who is going to pay for it, what kind of resources do we—will we have to submit to this, what kind of implications does that have for our present delivery system of health care, what about the priorities, what about the level of effectiveness, what are the trade-offs? Exactly the same issues that have been raised today.

And so stepping back inside the confines of the issue today, I am suggesting to you that the arguments that we have raised today, the issues that we have raised today, are legitimate questions. It goes to the fiduciary responsibility of a Member of Congress to faithfully discharge our responsibilities as representatives of the American people, whenever we are talking about major policy that has budget implications, policy implications, treaty implications, et cetera, et cetera, et cetera. Step outside of it and look at it, step back in and look at it.

Finally, Mr. Chairman, I appreciate this hearing. I appreciate all of you, Mr. Pike, Mr. Perle, and Mr. Hadley, for your contribution. And on behalf of myself and my colleagues on this side of the aisle who participated in these hearings at a very high percentage of the minority members of this committee, it is a testimony to our concern and it is a testimony to our energy.

You mentioned that there is going to be a hearing on Friday, and I appreciate that. But let the record show that that hearing is taking place as a result of a meeting that took place between you and myself where I suggested that we need the administration here and phone calls to the Secretary of Defense saying that we need to take this issue seriously and it needs to be dignified in a serious manner and at the highest levels of the Department of Defense, ought to be a response whether you agree or disagree to that issue. And so it didn't happen in a vacuum, it happened because we raised the level of the concern, the level of the issue.

Finally, one or several of the Members raised the question of whether we could try to figure out how to come together. Our tradition here has been a nonpartisan, bipartisan effort, although there are strongly held philosophical views on this committee. You and I have worked over the past several years in that regard. I am now in a minority status. We are prepared to try to work with you in that regard as well.

We, as we speak, are working on consensus language that we would submit, you could accept or reject, but we will try do it in good faith. Several people here have indicated some willingness to step back from what I perceive to be a very rigid approach to the policy development, premature as it were.

Maybe we can find language that brings things back, maybe we cannot. But I am certainly prepared to enter into an intellectually honest discussion, let the cards, chips fall where they may.

So with those remarks, I appreciate all of your contribution here. I am appreciative of this hearing. I am simply arguing that I think we are ahead of the ball game and that we should have even more substantive discussions on what clearly, as a result of this debate, discussion and illumination, requires much more expansive involvement of members in this issue.

The CHAIRMAN. I thank the gentleman. And I certainly thank all you gentlemen on the panel for staying a lot later than you anticipated. You made a real contribution. You are appreciated.

The meeting will be adjourned.

[Whereupon, at 1:35 p.m., the committee was adjourned.]



## H.R. 7—NATIONAL SECURITY REVITALIZATION ACT

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON NATIONAL SECURITY,  
*Washington, DC, Friday, January 27, 1995.*

The committee met, pursuant to call, at 10 a.m., in room 2118, Rayburn House Office Building, Hon. Floyd Spence (chairman of the committee) presiding.

### OPENING STATEMENT OF HON. FLOYD SPENCE, A REPRESENTATIVE FROM SOUTH CAROLINA, CHAIRMAN, NATIONAL SECURITY COMMITTEE

The CHAIRMAN. The hearing will please come to order. I want to personally welcome our distinguished guests this morning. I realize that you both had to rework your schedules to be here, and on behalf of the committee I thank you. Neither of you are strangers to this committee and we always look forward to your testimony.

The issue of immediate interest before the committee today is H.R. 7, the National Security Revitalization Act. The committee will mark up its share of H.R. 7 next Tuesday so we thought it was important to give the administration an opportunity to officially comment. This was especially desired by the minority ranking member, Mr. Dellums, and we were pleased to work with him to accommodate everyone involved.

The specific elements of H.R. 7 before this committee are varied. I want to take a moment to comment briefly on each of the major issues.

We had a hearing earlier this week on title II of the bill, which addresses ballistic missile defense. In essence, Title II states that it shall be the policy of the United States to deploy at the earliest possible date a national missile defense program and to provide at the earliest possible date a theater missile defense. Title II then asks the Secretary to provide Congress with a plan detailing how this can be achieved.

I think most of us would agree that it is logical to have DOD expertise and input on matters such as this before the committee deliberates on specific priorities within this context, and also, of the budget process. Congress controls the purse strings, so I am puzzled by some of my colleagues' concern that this language somehow constitutes a hard and fast commitment to a \$25 billion program.

The phrase "as soon as possible" explicitly recognizes the fact that missile defense would have to be prioritized along with every other defense program. If a majority of Members of Congress believe the projected costs for a more robust program are prohibitive, then any deployment will be later rather than sooner. If the majority of Members believe that other defense programs are of a higher

priority than missile defense, then deployment will be later rather than sooner. If technology is not mature enough, then deployment will be later rather than sooner and so on.

Title II commits us to nothing more than the objective of a timely deployment of effective defenses. That ought to be a goal which we all can support. To quote a bumper sticker phrase, there is no defense for no defense. It is not a matter of whether we are going to have a defense or not; it should be a matter of the best kind of defense we can have.

Title III of H.R. 7 chartered the revitalization of the National Security Commission. A number of Members have raised constructive suggestions on different subjects that the commission might analyze. Fundamentally, however, I am not sure that anyone can oppose an independent blue ribbon review of our national posture.

Section 401 of title IV places a limitation, not a prohibition, on the expenditures of DOD funds for the purpose of placing U.S. military personnel under the command or operational control of a foreign national acting on behalf of the United Nations. Contrary to much of the rhetoric that has been surrounding this debate, this is not a constitutional prerogative issue. Under this provision, if the President wishes to place U.S. forces under U.N. command, he simply needs to make a handful of certifications, the most notable of which is that such an action is in the national security interest of this country. Moreover, it is a prospective limitation and would not impact on operations such as those ongoing in Macedonia.

This is a provision that Congress has debated before and will obviously continue to debate. Nonetheless, I think we should be clear about one fact. This provision does not prohibit—I repeat—does not prohibit any U.S. President from placing U.S. forces under the command of the United Nations. It similarly requires the President to certify to the American public that it is in our country's best interest.

Section 501 of title V, the crediting of DOD costs in support of U.N. operations, is also controversial, but this section is not before this committee. Section 501 was referred to the International Relations Committee which is marking it up today.

However, this committee does have a jurisdiction over section 508 of title V, which does two things. First, it prohibits the use of DOD funds to pay for U.N. peacekeeping, which is a provision this committee supported last year and a position that Congress has essentially upheld for 2 consecutive years. Second, it limits funding for the military's involvement in U.N. peacekeeping operations unless Congress has specifically authorized funds for this purpose.

On the first point, as last year's debate demonstrated, prohibiting the use of defense funds to pay for U.N. peacekeeping bills that have previously been paid for us by the State Department has broad bipartisan support. Although the Secretary will probably opt to take the fifth amendment on this point, since his budget has not yet been submitted, I would hope that the Department's long-term plan no longer contains the level of peacekeeping spending that it did last year at this time.

On the second point, regarding prior authorization for U.S. forces to participate in U.N. peacekeeping operations, the fact that President Clinton consciously has sought to avoid a congressional vote



on the eve of the Haiti invasion promises to make this a lively debate in the days and weeks ahead.

Along with title I findings, these are the major issues this committee will have before us next Tuesday for the purpose of markup.

I am pleased that Secretary Perry and General Shalikashvili are with us this morning to address some of these issues. None of them are new to this committee or to our witnesses, so I look forward to this morning's discussion.

On an administrative note, I understand the Secretary has to depart by approximately noontime, Mr. Secretary, is that correct?

Secretary PERRY. That is correct. General Shalikashvili and I both have other commitments at that time.

The CHAIRMAN. I understand.

Accordingly, members need to know that we will operate under the 5-minute rule to accommodate all the members, as many as possible. I would ask all members to work with the Chair to keep this morning's proceedings moving along for the benefit of all.

Before asking our witnesses to proceed, I would like to recognize the distinguished gentleman from California, Mr. Dellums, for any comments he would like to make; and I think we might want to recess and vote before the gentleman makes his remarks.

We will recess for the vote and return immediately.

[Recess.]

The CHAIRMAN. The meeting will come back to order, and we will hear from the distinguished ranking member from California, Mr. Dellums.

**STATEMENT OF HON. RONALD V. DELLUMS, A REPRESENTATIVE FROM CALIFORNIA, RANKING MINORITY MEMBER, NATIONAL SECURITY COMMITTEE**

Mr. DELLUMS. Thank you, Mr. Chairman.

Your admonishment that our distinguished witnesses have a time limitation is very important. In that regard, I will resist the temptation to respond to the Chair's opening statement point by point.

I think all of our colleagues are aware of my concerns with respect to process and procedure, the notion that these distinguished witnesses should have been here on the front end of it. There are a number of concerns that I have raised in some substantive detail in the context of the two hearings that we have had before.

On Tuesday, we will have an opportunity to vigorously discuss and debate these matters further among ourselves. With those remarks and in the interest of time, I yield back the balance of my time and join you in welcoming our distinguished witnesses, and look forward to their testimony as they address the substantive issues that confront us in the context of the bill, H.R. 7.

The CHAIRMAN. I thank the gentleman.

Mr. Secretary.

Secretary PERRY. I have a written statement and I would like to enter it in the record.

The CHAIRMAN. Without objection.

## STATEMENT OF WILLIAM J. PERRY, SECRETARY OF DEFENSE

Secretary PERRY. I would like to make some brief opening remarks which highlight points of greatest concern that I have. I have read through the proposed legislation, and I want to be very clear; I find it disturbing on several counts, not the least of which is the assertion at the front end of this H.R. 7 that we have a hollow force, which is not only wrong, but I think is a dangerous statement, misleads the American people and it may confuse potential aggressors of the United States. We will have more to say about that in the course of the testimony.

Let me go to the part of my fundamental concern with this legislation. When I took on the duties of the Secretary of Defense, I pledged to do my best to fulfill the responsibilities of this job as I saw them. And at my confirmation hearing with your colleagues in the Senate, I listed six broad areas of responsibilities for the Secretary of Defense: overseeing military operations, ensuring readiness, playing a role as part of the President's national security team, developing military components to the national security strategy, developing a budget for approval by the President and Congress, and managing the resources.

In fulfilling these responsibilities, I have tried to work with the cooperation and guidance of the Members of Congress, particularly with this committee. We have worked together cooperatively. We have not always agreed, but I have tried to give you the best information possible and my best objective advice. And that advice is drawn from the full resources of the Department.

And I believe that I have received from each of you your honest opinions, and from the committee and from the full Congress, advice and instructions. Therefore, I find it deeply disturbing that it is now proposed that we change that relationship, that we interpose a commission between the Secretary of Defense and this committee, a commission which effectively is authorized to do both of our jobs.

Mr. Chairman, we have a strategy which provides for our national security in a changed world. That strategy, to be prepared to fight and win two nearly simultaneous regional contingencies, to maintain a robust overseas presence, to be prepared for lesser contingencies and to provide for deterrence and prevention of attacks with weapons of mass destruction against the U.S. territory, forces, and allies. All of these drive our force structure and planning. It is my judgment that we have the capability to carry out that strategy against the threats that exist now, and we have preparations to carry it out against future threats as they develop.

I do not expect everyone in this committee to agree with every portion of that strategy or every decision that we derive from that strategy, and I am prepared to debate that strategy and those decisions with you; but I cannot support a flawed concept of a commission to decide those matters for both of us. You are my commission. I do not need an independent commission interposing itself between myself and you, and you do not need an independent commission interposing itself.

My responsibility as the Secretary of Defense is to inform you of the President's strategic decisions, of my implementing decisions, and of the Department's budget, then to debate those with you, and

finally to receive from you and to incorporate your legislative and budgetary guidance. You should not dilute the responsibilities of the Secretary of Defense by trying to turn a key part of them over to an independent commission. Rather, you should hold me accountable for meeting those responsibilities, and if you find that I am incapable or unwilling to meet those responsibilities, you should ask me to step down as the Secretary of Defense.

As you can see, I feel strongly that the proposed commission usurps the responsibilities of the Secretary of Defense. At the same time, I believe that this independent commission would interfere with the ability of this committee to fulfill its responsibilities by interposing itself between the committee and the Secretary of Defense.

I want to emphasize that I do not see this as a partisan issue. Indeed, I suggest to you that you seek the opinion on this issue from any or all of my predecessors as Secretary of Defense from both parties and see what they think about it.

Beyond the commission, much of H.R. 7 deals with specific implementing decisions within our strategy and our budget. I would like to address those by putting these issues in a larger context. Many of you have heard me discuss what I consider the three major challenges we face in national security in this post-cold-war era: preventing a return of the nuclear threat, managing the defense drawdown, and making the right decisions about the use of military force. Those are the three big issues, the three big challenges which I face every day as the Secretary of Defense and which you, as a committee, face. How do we maintain a stable, peaceful world in which economies and democracies can prosper, without becoming the world's policeman?

I think the decisions about how we deal with these challenges go to the heart of your concerns and the real concerns which lie underneath H.R. 7. However, I believe that the answer is to get these issues on the table, debate them openly and in the proper context, and with the full policy and budgetary implications on the table and understood. This is our job—your job and my job, not the job of a commission.

The first challenge is keeping this nuclear threat from reemerging. This threat comes from two areas, the nuclear stockpile of the former Soviet Union and the secret nuclear programs of rogue states, and there is an interplay between those two since one source of nuclear material and nuclear weapons from the rogue states is the stockpile of the former Soviet Union.

We have taken a three-pronged approach to meeting this challenge. The first of them is the Cooperative Threat Reduction, the so-called Nunn-Lugar program, to supply, safeguard, and divert the facilities and the people in the former Soviet nuclear program to other purposes. This is a very important part of our program, and I would like to discuss this at a full hearing with this committee at some time in the future.

The second prong in our approach to the nuclear threat is non-proliferation. The North Korean agreement, which has just been made, has been the most significant achievement in that regard in the last year. I just yesterday had a full-scale hearing with the Senate Armed Services Committee on that North Korean agree-



ment, and would welcome hearings by committees or subcommittees of this body on that same subject, since I think it is a very important agreement in this nonproliferation field.

But the third prong of this strategy, and one which deals directly with issues in H.R. 7, is what I would call a hedge strategy, what we do to hedge against the failure of our attempts to keep the nuclear weapons from proliferating. We, first of all, have to maintain our nuclear deterrence; and the Nuclear Posture Statement, which we completed recently, lays out a strategy for doing that, and I am again anxious to discuss that nuclear posture strategy with this committee at any length and in any detail which you care.

The other aspect of the hedge strategy is ballistic missile defense, both Theater Missile Defense and National Missile Defense. I know that this ballistic missile defense is a key concern raised in H.R. 7, but I want you to see it as a part of a larger program. We will soon, in just a few weeks, be presenting our 1996 and beyond budget to you, and you will see as we review this program with you that we have a robust program in ballistic missile defense, and in this 1996 budget, in particular, this program is very much on track.

The Theater Missile Defense component is on a fast track to reach a deployed system as soon as is practical. That is the intent of the program. You can come to your own judgment as we lay it out in front of you.

We also have a robust program by my definition in a ground-based national missile defense program. There the objective of the program is to reach the readiness for a deployment decision in a few years and that readiness will be such that if the decision is made at that time to deploy, the deployment will be made very rapidly, within another few years.

The second challenge which I face is the challenge of managing the defense drawdown. This is a very difficult challenge. We had already decreased defense spending 25 percent in real terms by the time I became Secretary, and I am presiding over a further diminution from 25 down to about a 40-percent decrease.

Neither this committee nor, for that matter, the Secretary of Defense actually performs the activities which keep up the readiness of a force. I don't go out and repair engines and maintain barracks. I allocate resources and I defend the allocation of my resources to this committee, and I do this in such a way to achieve certain priorities.

The priority I have set in this budget is that readiness is the first priority, the readiness of the forces. You should first of all come to a judgment as to whether that is the right priority, and second, assess the program I present to you to see if it is capable of meeting that judgment.

I am not going to say more about readiness because I will ask General Shalikashvili to comment about that.

The third challenge is getting it right when we deploy our forces—how should we use our military forces, under what conditions? That is a life-and-death decision for some of the forces that are involved. There is no bigger decision than I face.

I have divided the decisions into three categories: those situations where vital national interests are at stake, where the security of the United States, or our key ally, is at issue. During the last

year there have been two such issues, only two, but two very important ones.

One was in the Korean Peninsula, and we were taking actions last June which were moving us toward a military confrontation with North Korea in which the risk of war was palpable. The second was when Saddam Hussein sent his forces down to the Kuwaiti border again last fall, and we deployed military forces immediately in such a way that we were fully prepared and fully expected to have to fight a war. In neither case did we hesitate or have any question that our vital national security interests were at stake and that we were prepared to use whatever military force it took to deal with those issues. There are not many such cases, but when they arise, they are very important.

The second case in which we use military forces is when we have national interests but not vital security interests. In those cases, we are not willing to risk a war and the action we take is less robust than what I have described in those two cases.

Three examples during the last year—we have forces deployed in Macedonia. They are there not to fight a war, but to help prevent the spread of a conflict, to help keep the Bosnian conflict from spreading out of Bosnia. In Bosnia, we have airpower employed as part of a NATO force, not to fight a war but to limit the casualties that have already taken place in that war.

And finally, in Haiti we had a limited deployment of military forces with limited objectives; namely, to restore democratic government to Haiti.

The third area where we have deployed forces was for humanitarian interests. I want to be very clear to this committee, in general, I don't believe that is a proper use of U.S. military forces. Only in very exceptional cases will we deploy our forces for humanitarian purposes. We did it with Hurricane Andrew, for humanitarian purposes to assist Florida. We did it in Rwanda last year where we had a very limited application of United States military forces, to save thousands of lives in Rwanda. The test that both cases met is that the U.S. military was the only force in the world that had the capability of performing the mission and that the mission was one which was timely and at which thousands of lives were at stake.

When those three tests are met, it is appropriate to consider a limited and prescribed use of military forces, and we have done that in a few cases.

Now, H.R. 7 pays great attention to the issue of peacekeeping. I have listed for you my thinking about when we apply our forces here. I think while we have general rules, as I have described, and general guidance, there are a very large variety of situations that can occur; and my judgment is, they need to be dealt with on a case-by-case basis, as should the command and control arrangements that are used with those.



I would like at this point to turn the floor over to General Shalikashvili to pick up on the discussion that I have been having here on the use of U.S. forces in contingency operations and how we effect the command and control of these as well as to pick up several other issues.

General Shalikashvili.

[The prepared statement of Secretary Perry follows:]

Statement of Hon. William J. Perry  
Secretary of Defense  
Before the  
House Committee on National Security  
Hearing on H.R. 7  
27 January 1995

It's a pleasure to be here. In my tenure as Secretary of Defense I have come to know many of you well. We have established a good, bipartisan working relationship on national security issues and concerns we share. I intend to continue to build that relationship with this committee.

I would like to talk briefly about the U.S. military strategy and defense program in the post-Cold war world. The world remains in many ways a dangerous place, and we need to maintain and be ready to employ effective military power to defend our national interests.

But let me say up front that I flatly reject what appears to be the basic premise of the National Security Revitalization Act: that the U.S. military has become a hollow force. This is simply not the case. Today, the United States fields the most ready and capable military forces in the world -- forces that are ready and able to defend the United States against any aggressor and to protect its interests around the globe. It is important -- indeed, imperative -- to our national security that this be known -- by the Congress, by the American people and, perhaps most importantly, by our potential adversaries.

### I. THREE CHALLENGES

The Department of Defense faces three principal challenges in protecting and advancing American interests in the new post-Cold War security environment:

- First, preventing a reemergence of the nuclear threat that attended the Cold War;
- Second, properly managing the post-Cold War reduction of our military forces; and
- Third, reformulating policies for the use of force or the threat of the use of force.

I would like to address these three challenges and explain how our strategy and programs meet them. HR7, if passed, would, in my judgment, interfere greatly with our ability to meet these challenges.

**A. Preventing a reemergence of the Cold War nuclear threat.**

Today, only Russia possesses enough long-range nuclear weapons to threaten our national survival. Russia is now a partner rather than an enemy; but the future of Russia's political, economic and social reforms is still uncertain. Meanwhile, there remain 25,000 nuclear weapons in Russia and three other former Soviet republics. Therefore, our policy in dealing with Russia must take into account both the promise that comes from the end of the Cold War, and the danger that a nuclear threat might recur.

We also face other nuclear threats through the danger of proliferation. This is the threat we have helped contain through our recent Agreed Framework with North Korea, and which we must continue to be vigilant about with states such as Iran which strive to obtain nuclear weapons.

With regard to our own nuclear programs, the Department has recharted its own nuclear course through the Nuclear Posture Review, which we have presented previously to this committee. Central to this blueprint is the maintenance of a prudent level of U.S. nuclear forces to deter or defend against any possible threat or aggression, while reducing our unneeded forces as we and the states of the former Soviet Union implement START and other arms control agreements.

One of the best ways to reduce the nuclear danger to the United States is to eliminate the weapons that threaten us: missile by missile, warhead by warhead, factory by factory, and person by person. The Cooperative Threat Reduction "Nunn-Lugar" program has helped to accomplish just that: Nearly 2600 nuclear warheads have been removed from missiles or bomber bases, and almost 900 warheads located in Ukraine, Kazakhstan and Belarus have been returned to Russia, where the great majority of these warheads will be destroyed for good. Efforts are underway in all four former Soviet republics with nuclear weapons on their soil to eliminate warheads, weapons and launchers; to protect fissile materials; to convert weapons industries; to destroy chemical weapons; and to employ weapons scientists in civilian research. This continues to be a critical program. Ukraine's recent accession to the Nuclear Non-Proliferation Treaty was one of the most tangible successes of the Cooperative Threat Reduction Program, resulting in security benefits both for Ukraine and the United States.

The DoD Counterproliferation Initiative marks a third element of our response to the nuclear danger. The handling of the nuclear challenge from North Korea reflects the seriousness with which the U.S. approaches the danger of nuclear proliferation. Our paramount concern in this critical region was the halting of the existing North Korean nuclear program, poised last June to leap forward in its production of weapons-grade plutonium. Under the Framework Agreement now in place, North Korea has halted and must eventually dismantle its nuclear weapons-related program, and must comply fully with NPT and IAEA full-scope safeguards.

Saddam Hussein's activities with weapons of mass destruction, ranging from a surprisingly large nuclear weapons development program to the actual use of ballistic missiles, demonstrated the need for DoD -- as it reorients its forces to regional conflict -- to take into account the likely presence of mass destruction weapons in such conflicts.

Ballistic missile defenses are a key element in responding to the dangers posed by nuclear and other weapons of mass destruction, as well as protecting our fighting forces from tactical ballistic missiles.

In developing a new generation of ballistic missile defenses, we must take into account the actual threat we face, the technology we have available, our ABM treaty commitments, and the cost of deploying new systems. With the end of the Cold War, we face no immediate threat from long-range missiles. But we do face a threat from shorter-range missiles, as was demonstrated by Saddam Hussein's callous use of SCUDs. I have therefore made Theater Missile Defense (TMD) the top priority of the Ballistic Missile Defense Organization. Currently, more than 15 nations have theater range ballistic missiles, and missile technology continues to spread.

Early this year, the first flight test of our first upper-tier ground-based TMD system, THAAD, is expected to take place. We will also continue testing a research version of an upper tier sea-based interceptor. Development of an advanced PATRIOT, known as PAC-3, and a sea-based lower tier system are also on track. And finally, we are working to develop a cooperative program with our European allies to develop a short-range system to counter theater ballistic and cruise missiles.

While we are forging ahead with an ambitious TMD program which meets foreseeable future threats, we have also established a technology readiness program that will give us the ability to deploy a National Missile Defense capability within a few years of a decision to do so. This would give us time to counter a possible future long-range missile threat to the United States from a proliferant country, should one emerge.

Closely tied to the goal of preventing the re-emergence of the Cold War nuclear threat is maintaining a solid security architecture in Europe. And HR 7 also addresses NATO expansion. We very much agree with this goal: the President has made clear that we regard enlargement of the Alliance as a matter of when and how, not if. To this end, we secured -- in the face of initial Allied reservations -- agreement at NATO's December



Foreign Ministers' meeting to launch an internal Alliance study of this issue. This decision committed NATO to present the results of its initial deliberations to interested PFP Partners by December of this year.

During 1995, NATO agreed to focus on the "how" and "why" of expansion. The "who" and "when" must come later. Thus, we find the bill's singling out of certain states for likely membership and setting timelines for expansion to be unwise. Enlargement requires the unanimous agreement of all 16 NATO members, in most instances requiring Parliamentary approval. This makes it imperative that we proceed on expansion in concert with our Allies.

It is also essential that enlargement not dilute NATO's military effectiveness. New members must contribute to, not just consume, security. Thus, NATO is determined to build on the remarkable success of PFP to assure that the Partnership, with its emphasis on developing interoperability of Partner and NATO forces, is robust. We note that H.R. 7 proposes assistance for designated prospective NATO members. The President's Warsaw Initiative to provide \$100 m to all Partners to enable them to take better advantage of the Partnership serves the same end and deserves your support. We believe PFP-related assistance should not prejudice potential NATO membership. PFP and NATO enlargement are mutually reinforcing. First, the Partnership is the pathway to membership for those nations ultimately joining NATO. Equally important, it also provides an invaluable link and assurance of NATO support to those Partners not doing so.

We also want to assure that enlargement promotes security for all of Europe and does not draw new lines to replace those of the Cold War. Therefore, while NATO has made absolutely clear that Russia has no veto over enlargement, we intend to pursue a parallel track with Russia to develop a mutually supportive, cooperative, and wide-ranging relationship between NATO and Russia, both through PFP and outside it.

**B. Properly managing the post-Cold War reduction of our military forces.**

The second challenge is to properly manage the post-Cold War reduction of U.S. armed forces. We are currently about two-thirds of the way through a resource drawdown, which from the mid-80s to the mid-90s will amount to about a 40% reduction in real terms. The challenge is to carry out the last stages of this reduction while maintaining the right size, shape and quality of forces we need to defend America's interests in the post-Cold War world.

This is the challenge that motivated the Department of Defense to undertake a back-to-basics review of our defense strategy, military forces and overall defense program. This unprecedentedly comprehensive and collaborative undertaking came to be known as the Bottom-Up Review.

In that review, we outlined the appropriate size and shape of post-Cold War U.S. military forces. Based on an in-depth assessment of the new security environment and a rethinking of our defense strategy, we determined that:

- U.S. forces must be prepared to fight and win two nearly simultaneous Major Regional Conflicts (or MRCs);
- They must be able to sustain robust overseas presence in peacetime;
- They must be prepared for a variety of lesser contingencies, from shows of force to deter aggression, to peace operations, to humanitarian relief missions; and
- They must be able to deter and prevent effective attacks with weapons of mass destruction against U.S. territory, U.S. forces, or the territory and forces of U.S. allies.

In 1994, the real world gave us ample evidence that our defense strategy is right on the mark. Simultaneous crises in both Korea (over North Korea's nuclear program) and the Persian Gulf (when Saddam Hussein once again moved Iraqi divisions toward Kuwait) validated the need for the United States to be prepared to fight large-scale aggression in more than one theater at a time. If there were ever any doubt about the need for a 2-MRC strategy before last October, there should be none now.

Based on these strategy-based requirements and extensive analysis conducted by the Joint Staff, OSD and others, we derived the force structure that now lies at the heart of our defense program. These forces and capabilities continue to be validated and refined by ongoing wargames and assessments. I believe that the forces we have today are capable of supporting the strategy in the face of today's threats, and that the programmed force, with some enhancements, will be capable against future threats.

This conclusion is contingent upon full funding for several critical force enhancements including: improvements to our strategic mobility, including airlift, sealift and prepositioning; advanced precision-guided munitions to increase the lethality and survivability of our forces; enhancements to our surveillance and command, control and communication capabilities; and improved readiness among selected reserve component forces, particularly 15 brigades of the Army National Guard. With these enhancements, the programmed force will be able to support the strategy well into the next century.

It will also be a ready force. The readiness of our troops is a top priority. It has been clearly demonstrated in their superb performance in a wide range of contingency operations. Overall, the readiness ratings of our units remain at very high levels. We are committed to devote the necessary resources and attention to see they remain there. In November I announced a \$2.7 billion Quality of Life initiative tailored to insure we keep our well-trained soldiers in the force.

While we do not have a current overall readiness problem, congressional action is required to keep it that way. The FY 1995 supplemental and the FY1996 budget we will bring forward to you next week provide adequate readiness funding. Nevertheless, readiness problems frequently arise when O&M funding is diverted to pay for unbudgeted contingency operations. Therefore, it is imperative that we have mechanisms available for promptly reimbursing these O&M accounts. One such mechanism is the receipt of timely emergency supplemental appropriations, such as the FY 1995 emergency supplemental we will be submitting soon to cover costs for contingency operations in Haiti, Bosnia, and the Persian Gulf.

Also central to successfully managing the post-Cold War drawdown are management reforms within the Department of Defense. In short, DoD must find new ways of doing business if it is to be as efficient and as effective as it needs to be in a challenging but resource-constrained environment. These reforms cover a number of areas:

- In *acquisition reform*, DoD is seeking to re-engineer the acquisition process to eliminate the use of military-unique specifications and standards that inhibit the purchase of commercial products and services. This should enable us to rely more heavily on commercial technologies, manufacturing processes, goods and services, and in so doing reduce costs.
- In *financial management*, we are seeking to overcome long-standing problems and lower administrative costs. This will involve measures ranging from consolidating finance and accounting operations, to re-engineering DoD business practices, to strengthening internal controls, to improving management incentives.
- In the area of *infrastructure and logistics*, we are seeking to improve long-term readiness by striking the right balance between providing the proper level of services and support for our military forces, on one hand, and reducing unnecessary overhead, on the

other. This means changing the way we manage distribution and inventories, rethinking depot maintenance, modernizing our logistics business systems, resizing the base structure and improving installations management.

In sum, I believe that the strategy, force structure and reform initiatives in our defense program remain a solid foundation on which to build our national security.

### **C. Reformulating Policies for the Use of Force or the Threat of the Use of Force**

In this new security environment, it seems we will face virtually limitless calls for American involvement in containing threats. We do not, however, have limitless resources. We neither can nor should respond to every crisis or conflict. Therefore, one of the principal challenges we face as a nation in this new era is to decide when and how to employ our military forces and assets in the pursuit of our objectives.

There are three basic categories of cases in which we may use our armed forces. The first involves America's vital interests -- that is, the defense of U.S. territory, citizens, allies and economic well-being. We will do whatever it takes to defend these interests, including -- when necessary -- the unilateral and decisive use of military power.

The second category includes cases in which important, but not vital, U.S. interests are threatened. That is, our national survival or that of an ally is not at stake, but the interests involved are nonetheless important. In such cases, military forces should only be used if: they advance U.S. interests; they are likely to be able to accomplish their objectives; the costs and risks of their employment are commensurate with the interests at stake; and other means have been tried and have failed to achieve our objectives.

The third category of cases involves primarily humanitarian interests. Here, our decisions focus on the use of military forces rather



than the use of force. Generally, the military is not the best tool to address humanitarian concerns. But under certain conditions, the use of our armed forces may be appropriate: when a humanitarian catastrophe dwarfs the ability of civilian relief agencies to respond; when the need for relief is urgent and only the military has the ability to jump-start the longer-term response to the disaster; when the response requires resources unique to the military; and when the risk to American troops is minimal.

In sum, when the stakes warrant, and the consequences of inaction are not acceptable, we will do our part to shape events in a manner that protects our interests, preserves our leadership and reflects our values. We will, however, also encourage others to do their share, work to build effective international organizations, and insist that people take responsibility for their own security and future.

Our forces are frequently called upon to mount contingency operations to protect and advance U.S. interests. We conduct a broad range of contingency operations, often in partnership with other nations, to accomplish objectives such as providing humanitarian relief in Rwanda and deterring Iraqi aggression in the Gulf. Peacekeeping, often carried out under UN auspices, is one type of contingency operation that can advance important U.S. interests.

In Haiti, the highly successful U.S.-led multinational force operation has helped restore democratic processes, while alleviating suffering and stemming a flow of refugees to our shores. We have conducted this operation in the furtherance of important American interests, and received political support from the UN. We also convinced member states that the UN should soon assume responsibility for the operation. The UN Mission in Haiti will allow the U.S. to significantly reduce its forces and share the costs of the ongoing operation. This demonstrates the value of both independently led coalition contingency operations and UN peacekeeping.

I am concerned that legislation under consideration in this committee would undermine our flexibility to conduct and support a broad range of contingency operations, including peacekeeping operations.

HR 7 also puts militarily imprudent restrictions on the commander-in-chief's authority to place our armed forces under temporary foreign operational control during U.N. peace operations. The legislation is unnecessary. The President has made clear that he will never relinquish command over U.S. forces, and the administration has established rigorous limits on the conditions under which it would place U.S. forces under temporary foreign operational control. We will not deploy U.S. forces to any peacekeeping mission likely to involve combat unless it is conducted under U.S. operational control, or through a trusted military alliance such as NATO.

This legislation also fails to recognize the importance of preserving the President's flexibility. We must be able to place elements of our forces temporarily under foreign operational control in U.N. coalition operations when it serves our interests--just as we want foreign forces to be willing to serve temporarily under U.S. operational control. Our armed forces often point out the military imperative of temporary subordination to foreign operational control. If our allies were to respond to this legislation by placing similar restrictions on the subordination of their forces, our ability to participate in coalition operations would be seriously impaired.

Finally, in addition to being unnecessary and militarily unsound, the effort to legislate these conditions raises significant questions about interference with the President's Constitutional command authority. I hope the committee will soberly consider the potential effects that this bill could have upon the President's ability to protect U.S. national security.

## II. NATIONAL SECURITY COMMISSION

The proposed legislation also would establish a commission to review the long-term national security needs of the United States. Among other things, the Commission would assess the adequacy of the national security strategy, the national military strategy, military force structure, modernization requirements, defense infrastructure, and overall resources. In short, the commission would mimic our national security planning effort

and, for that matter, many of the oversight functions performed by this committee.

I do not believe that the establishment of such a commission would contribute to our understanding of the nation's defense needs. Moreover, it has the potential to interfere with the open debate between the Executive and Legislative branches. Much of the strength of our Defense Establishment stems from the products of this debate. Periodically, a commission might be established to grapple with a specific issue, such as the present Commission on the Roles and Missions of the Armed Forces. However, the most effective way to solve complex defense issues is to hold the management of the Defense Department responsible for formulating and executing a defense strategy to protect America's security interests, and to expect Congress to provide critical oversight of the management team through Congressional committees such as yours -- the House Committee on National Security.

In this sense, some of the key functions of this Committee would be delegated to an independent commission. We believe that the nation's security is best served by strengthening the relationship between the Department of Defense and this Committee, not through the establishment of an independent commission which usurps the responsibilities of both.

### III. CONCLUSION

In summary, let me emphasize that I agree wholeheartedly with the intent reflected in the proposed legislation. I, too, want to ensure that the United States maintains the most ready and capable military in the world. I, too, want to see the United States sustain a strong defense program that will safeguard our national interests in a complex and changing world.

But I disagree with many of the means proposed in this bill. Specifically, I strongly oppose the following proposals:

- committing ourselves to accelerating the deployment of a National Missile Defense -- an effort that would cost tens of billions of scarce defense dollars and one that is unneeded at this time;
- imposing additional constraints on the ability of the United States to provide support for UN peace operations and to participate in such operations when it is in our interests to do so;
- designating the countries and the specific timetable for enlarging the NATO Alliance; and
- establishing a commission that would unnecessarily duplicate work already done well in the Pentagon and could disrupt the productive defense dialogue between the Congress and the Executive.

In short, I believe that we share the same goal of ensuring that the United States maintains a strong defense. But I am convinced that we can best resolve our differences directly -- through the very able "Commission" on national security assembled here today. I look forward to working closely with you on these matters.

Thank you.

**STATEMENT OF GEN. JOHN M. SHALIKASHVILI, USA,  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF**

General SHALIKASHVILI. Thank you, Mr. Chairman, Congressman Dellums, distinguished Members of the committee.

I want to start by emphasizing what the Secretary stated about one of the premises of the National Security Revitalization Act, that a return to the hollow force of the 1970's has already begun. The Chiefs and I are veterans of that era. We experienced first hand the neglect, the poor morale, the disciplinary problems, the difficulties of trying to maintain old and worn equipment without the spare parts to keep our ships at sea, our planes in the sky, and our tanks on the range. Although we are not without problems, to describe today's force as "hollow" is, both in my view and that of other members of the Joint Chiefs, a mistake.

We have today the finest Armed Forces in the world. Our weapons and equipment are superior to any other military in the world and we have extraordinary men and women in our ranks. Just look back on this past year at all that these men and women accomplished. Again and again, the readiness was tested and not found wanting—not on the night when we launched an invasion to Haiti, then called it back, and then in hours reformulated and reorganized the entire operation. Nor was it found wanting when, even while we were engaged in Haiti, our forces rapidly responded to the unexpected movement of Saddam's divisions to the Kuwait border. Hollow forces don't have this kind of edge.

But this is not to say that I and the other Chiefs are not concerned about readiness. We are. For the past few years, we have been drawing down our forces at a rapid rate, and our operational commitments have been very extensive. As a result, today we are more watchful of readiness than at any time that I can recall.

We have established a senior readiness council that carefully assesses our readiness on a monthly basis. The services, the CINC's and the Joint Chiefs have built a new system that looks at the readiness of our forces to participate in joint operations, something we have never tracked before. And of course, the services continue to improve their way of tracking and reporting on unit readiness.

But the readiness problems that appeared in the fourth quarter of last fiscal year demonstrated that O&M funding that had to be diverted to pay for unbudgeted contingencies must be returned to the services fully and promptly; and to avoid repetition of such a problem this year, the administration will soon submit the fiscal year 1995 supplemental to cover the costs of contingency operations for this fiscal year. And as long as that supplemental is approved on time, our near-term readiness will remain high.

But I am glad that this bill stresses the need to remain very watchful.

There is another thrust of this bill that we must also be watchful of. That thrust is the series of measures that would add new restrictions to the command and control arrangements for our forces participating in U.N. operations. Our forces will always remain under the command of our commander in chief, and we already have a sound policy that applies very rigorous standards regarding whether we will pass even the most limited authorities of our forces to a foreign commander. By the terms of that policy, when



either important American interests or significant numbers of American troops are involved, the senior military commander will ordinarily be an American. But when the nature and mandate of the mission argues otherwise and the rules of engagement permit proper protection of our troops and proper execution of the mission, the President must retain the flexibility to place our units under the temporary operational control of a competent foreign commander. Even then, subordinate U.S. commanders will always retain the capability to report separately to higher U.S. commanders. The United States reserves the right to terminate participation in any given operation at any time and to take whatever action necessary to protect U.S. forces.

But if more restrictive laws are added, it will result in a loss of necessary flexibility. We must be able to place elements of our forces temporarily under foreign operational control when it serves our interest, just as we want foreign forces to be willing to serve temporarily under U.S. operational control. If our allies were to respond to this legislation by placing similar restrictions on the subordination of their forces, our ability to participate in coalition operations could be seriously impaired.

In short, I see this proposal as unnecessary. But let me assure you that one of the responsibilities I take most seriously is to recommend to the Secretary and the President not to assign forces to any operation where I am not convinced that the rules of engagement are right, the operation is properly sized and equipped to carry out the task, and the commander is up to the task and the challenge.

Now, as the former Supreme Allied Commander in Europe, the final part of the bill I would like to address is the section concerning expansion of the NATO Alliance, although I know that this part is technically not before this committee.

Expansion of the Alliance is a clear objective of American policy. In December, NATO agreed to focus during 1995 on the how and why of expansion, but the who and when would have to come later. The decision to expand the Alliance and to extend security guarantees to new nations must be approved by all of the individual members of NATO. We should neither cajole nor legislate the other members into making decisions that so strongly affect their national security. Thus, it is imperative that we proceed on expansion in concert with our allies.

While I fully share the bill's strong endorsement of NATO, of the need to maintain our leadership of the Alliance, and of our strong support to those nations liberated from decades of Soviet domination, and to assist them in their transition to full NATO membership, I would caution against trying to legislate what nations and in what order and by which date NATO must accept. For now, we should sustain our support to the Partnership for Peace and work with our NATO partners to build a consensus on expanding the Alliance. Thus, I urge you to permit the enlargement process now set in motion to proceed without at this stage designating countries and specific timetables.

Thank you for this chance to share my views on this bill. Again, I fully agree with your goal of maintaining a strong defense of our

Nation, and I trust that we will make the right choices to do just that.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. And, Mr. Secretary, thank you, too. I just have one question and I will turn it over to others.

Mr. Secretary, the other night in the President's speech to the Nation, he said that for the first time in a long time we have no ICBM's targeted on our children. Some of my colleagues have taken issue with that statement, and I have had to be in a position of defending the President, because even though I know the Russians and the Chinese and others have very sophisticated weapons systems, I don't know if they have one that can distinguish between children and other people and just target our children.

Is that correct or not?

Secretary PERRY. We reached an agreement with the Russians early last year that we would detarget our ICBM's and SLBM's; that is, they were sitting on alert, targeted at—pointed at targets in—in our case, in Russia, and in their case, in the United States. And we have by mutual agreement changed the guidance systems in those missiles so that they are targeted at open areas in the ocean instead.

Now, I don't want to suggest to you that that means they could not be retargeted again, because they can, and they could be retargeted again in a relatively short amount of time.

The big advantage of this, I believe, is twofold: First of all, it is a confidence-building measure. It is a statement of friendship, and for that reason, it is important. Second, if there were to be an accidental launch, it means that the missile that was so accidentally launched would land harmless in the ocean and not in a city somewhere.

Mr. WELDON. Would you yield?

The CHAIRMAN. Let me finish. I didn't make myself clear.

I was trying to defend the President when he made the statement that our children aren't targeted. I was making the point that they don't have weapons systems that will not just target children but target the rest of us. Is that correct or not?

Secretary PERRY. Presumably, their missiles are targeted against cities, and in those cities are men, women and children.

The CHAIRMAN. I understand. Even if we assume for purposes of argument, as you have indicated, that we have this treaty and that we are not targeted by Russia right now, even though the treaty was with another country, the U.S.S.R.—which is another ball game, even if we aren't targeted, which I don't know that anyone can really verify—but assuming that we aren't, how long does it take to retarget, as you suggested?

Secretary PERRY. As I suggested, that is something that could be done in a short amount of time. How much time varies from missile system to missile system, and I could not give you a precise—it is not a long period of time, probably less than an hour.

The CHAIRMAN. According to a recent program on television, "60 Minutes," when that question was asked of a Russian official in a silo, he said that is all it takes to retarget.

Does this treaty cover ICBM's in China that have us targeted?

Secretary PERRY. To my knowledge, the Chinese do not have any missiles targeted—

The CHAIRMAN. Be careful on that.

Secretary PERRY. Yes. Let me defer this question for a closed hearing and simply say, I believe the statement is true even with respect to China. But the President was clearly referring to the agreement made with the Russians relative to detargeting.

The CHAIRMAN. I understand. The point was that we say we do not have a defense system because we have a treaty with a country that no longer exists, a country which has itself violated the treaty, a country which has its own defense against ballistic missiles that we don't have, and that is my point. Plus we can talk another time about threats from China and threats that are all the time becoming more real from North Korea and other countries.

Secretary PERRY. I think that is exactly the right way to start off a discussion on national missile defense, is laying out the threats, where and when they exist and what we might do against them. I look forward to that discussion when we get to that.

The CHAIRMAN. Mr. Dellums.

Mr. DELLUMS. Thank you, Mr. Chairman. Now that we have had an opportunity to hear from our witnesses and we have been guaranteed they will place before us their opening remarks, I would like to make a few observations.

First, with respect to your question about the distinction, the ability of a nuclear weapon to distinguish in trying to alert the American people as to the danger of nuclear weaponry, I coined the phrase that a nuclear bomb is an equal opportunity destroyer, so I think that that is an answer to your first question.

With respect to this hearing, I indicated on more than one occasion in the two hearings that we have had, one looking at the so-called shortfall in the Bottom-Up Review and the hearing on the ballistic missile defense, that procedure and process are extraordinarily important, that no matter how public the campaign promise, that when you move from a campaign promise to legislative initiative that the process then must be deliberative, substantive and thoughtful, leading us to rational judgments. It seems to me that is a solemn responsibility, and if one wants to use the term "contract," as it were, that is a fundamental contract with the people to carry out our fiduciary responsibilities with a high degree of seriousness, which is why I suggested in the first place that this hearing should have preceded every other hearing.

Mr. Secretary, I am appreciative that, as a result of our telephone conversations, we agreed that it was terribly important for you and General Shalikashvili to come before this committee to discuss the serious consequences of deliberations around the bill, H.R. 7. I am appreciative that in my meeting with you, Mr. Chairman, that you agreed that these two distinguished gentlemen should come before this committee, given the gravity of the legislation, because we could not simply view this as a symbolic gesture, but rather a substantive set of issues, in view of the fact that there are 12 new members of this committee on this side of the aisle and 5 on our side of the aisle, 17 new members who, at a minimum, need to start from the baseline from which H.R. 7 attempts to move.



And for those of us who are returning, refreshment, being brought up to date so we can deliberate and give this legislation the degree of seriousness that is contemplated by it. So moving from promise to initiative, the process should not be encumbered by some arbitrary notion of time. This is national security. We should deliberate in a very serious way. Listen carefully to the testimony this morning.

In that regard, with respect to title I on findings, the Secretary of Defense has said at least in one area of the findings with respect to readiness that it is incorrect, dangerous, confusing, and sends the wrong message. These are powerful terms. I think it is incumbent upon each of us on this committee as we go about the serious business of national security to look at these findings. Where there are incorrections, where there are dangerous comments, where there are confusing comments, where there are findings that send the wrong message, we should be willing to open up and change those.

With respect to title III, and I will come back to II, on the issue of the commission, the Secretary was very strong, steadfast, and resolute. There was no wimpish approach to that. The Secretary said, I am deeply disturbed; we do not need this. It is our responsibility, based on the checks and balance system that was so diligently laid out by the founding persons of this country, that the executive branch and the legislative branch engage in some intense engagement, interaction with each other.

The Secretary said, if I am not doing my job well, call for my stepping down. That is what this system is based upon, accountability, yet this bill puts between the executive and the legislative branches a commission charged to do the job that each of us were elected and paid to do. We should be willing to be held accountable to that. To in some way place this in the hands of some commission, diluting our responsibility, diluting the Pentagon's responsibility, and diluting the intense engagement that should take place and the creative tensions that should exist between the legislative and executive branches, to some independent group, to say nothing of the potential partisanship of that—and we can talk about that at some other time—is a serious issue.

Mr. Chairman, when I talk about moving from campaign promise to legislative initiative and seeing that the process is deliberative, the Secretary made a very interesting proposal that I think we should slow this process down and accept. Why not bring the other former Secretaries of Defense before this committee—former Secretary Cheney, other former Secretaries and former significant leaders of the Pentagon, the former Chairman of the Joint Chiefs of Staff, Colin Powell, and others; they are still alive—and ask them to come before this committee and comment as to whether or not we need an independent commission to do the job that many of us were elected to do, that they were appointed to do, and we are all being paid to do and more than willing to be held accountable to.

With respect to title II on missile defense, the Secretary says we have a robust program. Last year we authorized and appropriated \$2.9 billion; in the last 2 years we have averaged approximately \$3 billion per annum. I don't think any of us could go home to any

town meeting and suggest that \$3 billion a year is pocket change. It is big money. That is, in this gentlemen's opinion, robust—\$400 million is robust, \$120 million for brilliant eyes is robust, in excess of \$2 billion on theater ballistic missile defense is robust.

Mr. Chairman, you indicated that there are no dollar figures in this bill with respect to missile defense and that it could be later as opposed to sooner. That begs the question. Whether it is later or sooner, it still has to take place in some timeframe.

We are charged and the Secretary is charged with the responsibility of laying out a 5-year budget proposal. Title II in this bill does not use the legislative term "may," which is permissive. It uses the term that all of us understand, "shall."

As I said yesterday, in consultation with my distinguished colleague from Texas, Mr. Edwards, if we stepped out of the immediate context of missile defense in order to understand the concerns of this gentleman and the concerns of many on this committee and said, rather than it shall be the policy of the United States to have a national missile defense system in place and that the Secretary within 60 days would be charged with bringing us a plan back that would be cost effective and efficient, and said, it shall be the policy of the United States to have in place a national health care delivery system that guaranteed health care for every man, woman, and child in America and the Secretary of Health shall within 60 days give us a plan as to how efficient and effective that would happen, what would members say?

How much will it cost? What are the trade offs? What are the long-term implications? Where are we going to get the dollars.

Coming back into the context of missile defense, we raise the same issues. We are putting the cart before the horse. You are talking about adopting a policy, and it is myopic to believe that you cannot put and must not put a dollar figure to that in your planning. It is irresponsible.

We estimate that that is about \$25 billion, no insignificant amount of money, over a 5-year period. Where do you find the money? What are the trade offs? Are they against readiness? Are they against personnel? Are they against modernization of other issues? Are they against family housing? What are the trade offs?

So to adopt this policy in the blind, when we haven't even received the budget to ascertain what are the other urgent problems, it seems to me to tilt the process. Why don't we slow it down, bring other witnesses in so that we are capable of fully understanding that?

Finally, on the issue of command and control, General Shalikashvili—no one here has ever challenged his credibility as one concerned about the national security of this country—says that we don't need the imposition of this particular language here, that we are more than capable of going forward. We either can refute that or we can't. I think the burden of proof is on those who propose to go down this particular road.

To summarize, as we go from promise to legislative initiative, we here are charged with the responsibility of deliberating substantively. You all know what my politics are. I have been willing to win and lose. I probably have more experience at losing, given my politics, than most of you in this room combined. So it is not



the ultimate end, because we can differ. That is why all of us are elected from different parties and different persuasions. But we all must come together on the integrity, the dignity of the process itself.

I don't think we dignify our responsibilities by moving at break-neck speed to embrace something because a promise was made. We all make promises. I am pleased that you are prepared to move from promise to legislative initiative, but let's do it with a level of dignity that is commensurate with the potential outcome of what it is we are trying to do.

That is all this gentleman has been trying to say to each and every one of you, because 300 days from now——

Mr. CUNNINGHAM. With due respect to the minority, there is a lot of us who would like to speak, and we have been going on for 15 minutes.

The CHAIRMAN. That is not a parliamentary inquiry. I think the gentleman is about to conclude.

Mr. CUNNINGHAM. Is there a time limit on each of us?

The CHAIRMAN. Not with the ranking member, no.

Mr. DELLUMS. I thank the Chairman, and I appreciate that.

On that comment, the gentleman from California is well aware that this gentleman has been willing sometimes to sit alone until every single member of this committee had their last word and did their last dance.

Mr. CUNNINGHAM. Would the gentleman yield?

I am not being disrespectful; I am saying that the Secretaries have limited time.

Mr. DELLUMS. I understand.

The gentleman resisted the temptation of an opening statement in order to get their testimony on the record. I now exercise my rights and prerogatives unless the gentleman fully objects.

I am saying to slow down this process in order to allow us to deliberate. However the decision, at least let's be proud of how we got to it, and I am not sure that we are doing that in this regard.

I thank our witnesses for their very direct and assertive testimony on this matter. I look forward to us engaging in substantive debate as we go about the business of this legislation. My only admonishment is, let's take the Secretary's suggestion to heart, hold another hearing, bring in former members so that we move beyond any sense of partisanship, and look at these persons, Republican or Democrat, who have sat in those seats before us, to get their view as well on whether this commission makes sense. I think that that is a good thing to do.

Mr. Chairman, you have been very generous in giving me this opportunity. I want to hear the other questions from my colleagues, but I felt it was important to do two things, one to respond to some of the comments the Chair made in laying out, point for point, the titles that we are responsible for; and as the minority leader of my colleagues on this side of the aisle, to attempt to frame the two gentlemen's responses as we go forward. That is my responsibility. I don't have much other as ranking minority member, but I take this job very seriously and hope I have carried it out.

With those words, Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman for his remarks. I would like to say in response to the part about being irresponsible in approaching it the way we have, I think it is irresponsible for us to leave this country unprotected, and I think somebody's head is going to roll because we haven't done it, if we don't do it.

The gentleman from California Mr. Hunter.

Mr. HUNTER. Thank you, Mr. Chairman.

Mr. Secretary and General Shalikashvili, I think that H.R. 7, the bill that you have commented on, is deliberate, it is thoughtful, and it starts a process. It starts a process with clear policy goals, and while it is our job to flesh out this process through the authorization bill, and that is going to be done in a very bipartisan way, it is absolutely appropriate that this Nation, manifested in the actions of its Members of the House and Senate, set goals.

This is a goal, a policy-setting piece of legislation. I think it is absolutely reasonable, Mr. Secretary, and with respect to your comments that you led off with, saying that you thought this implied that we were a hollow force, it does not say that.

I bring your attention to the bill itself. It says, a return to the hollow forces of the 1970's has already begun. I think that statement is warranted. Let me quote a couple of your military leaders.

First, General Sullivan, Army Chief of Staff, June 1994: Although still trained and ready, the Army is now at the lower edge of the band at the razor's edge. That is your leadership.

General Mundy, March 1994: Our analysis of Marine Corps requirements in the current year is that the Marine Corps has inadequate resources to maintain the level of readiness expected by the Congress and mandated by the Bottom-Up Review.

So we have been analyzing over the past several years, many of us on this committee, the statements of our military leaders, we have been visiting troops in the field, and I think it is absolutely appropriate that we have a commission that evaluates where we are right now with respect to national security. You yourself employ many boards and commissions like the Defense Science Board. That doesn't mean that they take away prerogatives. They don't write law. Ultimately, we write law, and we are going to have to flesh this bill out.

Let me just say, Mr. Secretary, with respect to the situation respecting the cost and the control of the United Nations, every statistic that I have reviewed in this bill appears to be accurate. With respect to the drawdowns, with respect to the number of American servicepeople on food stamps, with respect to the modernization drawdowns in the budget, every statistic, every fact laid out in this bill appears to be accurate. It is our responsibility to move forward.

And I would say there is another warning signal, and that warning signal was given to us by the GAO, which told us that this program, this Bottom-Up Review, President Clinton's defense force structure, is underfunded up to \$150 billion, and the President responded with \$25 billion. That leaves us worrying what is going to happen without the additional funds, how we are going to make that up and the impact on the security of our forces.

I have a couple of questions I would like to ask with respect to theater defense and ABM. First, Mr. Secretary, the budget for national missile defense—you said it is robust—it has been cut by

over 80 percent since the Clinton administration took office. How can you assert that the Department has a credible national defense program when the budget has been slashed so dramatically?

Do you believe that a national missile program is technically feasible, why and why not? And General, do you agree with the President's assessment?

A couple of other questions: Secretary Perry, the Acting Director of Central Intelligence, Admiral Studeman, has testified that a missile threat to the United States could emerge before the end of a decade. The Defense Intelligence Agency Director testified that North Korean missiles now under development could pose a threat to Alaska.

Do you agree with these assessments; if not, why not? And General, do you agree with the Secretary's statements? Do you agree that a missile threat to the United States could emerge essentially overnight if Russia or China were to sell ICBM's to a third country?

Mr. PERRY.

Secretary PERRY. On the point on readiness, both the 1995 budget and, more recently, the 1996 budget, I discussed this budget in detail with the Chiefs before we submitted it.

Let me speak specifically about the 1996 budget which you will be reviewing in just a few weeks. Relative to O&M funds that are pointed to maintaining readiness, training, the O&M activities pertinent to readiness, the questions I asked each of the Chiefs, are the funds in this budget adequate to maintain readiness? And the answer was yes. You can ask that question to each of the Chiefs also when they come to testify on the 1996 budget.

They gave me one qualification, and I am sure will give you the same qualification, which is if funds are diverted from that fund to support contingency operations, obviously they will not be enough and that, therefore, we will have to supplant those funds as they are diverted with supplementals.

So that was the reason for my meeting with the House Appropriations Committee 2 days ago in a hearing to propose to them a way of dealing with this perennial problem we have of having funds diverted from the O&M account.

But I assure you and the Chiefs will also assure you that the 1996 budget has adequate funds to fully fund the readiness of our forces. That was my first priority and my guidance when the budget went out, that priority cannot be traded off against any other priority in the budget. That is on readiness.

Second, the question of funding of the FYDP, the \$150 billion versus \$25 billion. I will state flatly that the \$150 billion figure is wrong. It is an issue which is worthy of some discussion and some laying out of figures, and we are happy to do that in a fuller hearing before this committee. I think it is very appropriate that we do that when we present the budget, to review why we believe that this budget is fully funded—that is to say that there are no smoke and mirrors in the budget.

We have funded the programs that are in the budget. You may question whether the programs are the right programs, but my assertion to you is that they are adequately funded.



The third point has to do with the Ballistic Missile Defense Program. We may have disagreements when we present the program, as to the specific merits of particular programs we are presenting, but the very large difference between the SDI days when we were funding \$5 billion plus and today is that the threat has changed dramatically since then.

The SDI system was being designed to defend against a massive attack, thousands of warheads approaching the United States, and that took a very much more complex, much more difficult system to deal with that. That was the underlying requirement which the SDI office was trying to meet.

Now the threat we are trying to meet is the threat of a small scale, a thin attack against the United States that could arise from one or more of the conditions which you suggested in your comments. It is an easier threat to defend against. A simpler system will defend against it.

Having said that, we will lay the system we are proposing for defending against that, and you may disagree with the details of that system, but I think you would agree that it will be a much simpler system than trying to defend against a massive assault of warheads against the United States.

General SHALIKASHVILI. On the issue of readiness, near-term readiness funding, I believe is adequate, but it is very seriously impacted every time we have to draw from O&M accounts for unprogrammed operations. This is what caused the problem in 1994, and as the Secretary mentioned, as I mentioned just now, if we repeat the same thing this year, we will have even more dramatic impact on readiness and that is why it is so important that action be taken as quickly as possible on reimbursing the service O&M accounts.

Long-term readiness is another matter. Long-term readiness is often caused by underfunding such accounts as depot-level maintenance accounts, real property maintenance accounts in that the latter one forces commanders often to choose between fixing the physical plant they need to fix and readiness issues. It is for that reason that I early on went to the Secretary and asked him to make the necessary adjustments to bring those accounts up as well, not just O&M accounts that take care of near-term readiness. That was part of the rationale for the Secretary going to the President, that eventually resulted in the \$25 billion increase.

As far as missile defense is concerned, I do agree with the Secretary's rationale as to why the effort today takes less funding than it did at the time when we were trying to develop a system that would defend this country adequately against a massive Soviet missile laydown; and most importantly, I agree with the prioritization.

When you consider that we have some 17 countries or so that possess tactical missile systems that could threaten our forces deployed worldwide, that that is in fact a very immediate threat and that our priority needs to stay on fielding as quickly as we can an adequate tactical missile defense system while at the same time——

Mr. HUNTER. So you like that part of the contract, right?

General SHALIKASHVILI [continuing]. I surely do.

And at the same time proceeding on the effort to come up with a system that would be adequate to provide us the necessary defense for our country when the threat so dictates.

Mr. HUNTER. Thank you.

The CHAIRMAN. The gentleman from Mississippi, Mr. Montgomery.

Mr. MONTGOMERY. Thank you, Mr. Chairman.

I want to say, Mr. Secretary, I think that your opposition statement made on title III of H.R. 7, setting up an independent commission, is about as strong a statement as I have ever heard from a Secretary of Defense and I commend you for making that statement. I totally agree with you, an independent commission would be a disaster to you in your job.

You said that you would look at even resigning if you had to put that into effect—am I putting words in your mouth? I didn't mean to. I correct that.

That really you are putting a layer between the Secretary and the commander in chief, you are putting a layer of authority between the Congress by this independent commission; is that correct?

Secretary PERRY. That is correct, Mr. Montgomery.

I do believe that it expresses a lack of confidence in the Congress and the Secretary of Defense to establish such a commission, or lack of confidence in your own abilities, because I believe that this is something that we should be able—we are structured to deal with between ourselves.

It is my impression, we have been successfully working together; and I see not only no need for a commission, I do see it as a potentially destructive influence interposing itself between what has been a constructive relationship.

Mr. MONTGOMERY. Some of us have been working up a substitute for H.R. 7—not for the whole bill, but for just some areas. One is title III—I think you said it—roles and missions probably, maybe that study, you maybe need to take another look at it. I know you have a roles and missions study coming up that we audit in Congress that comes out in May, that—Dr. White is implementing that.

We have in our substitute where you could look at other areas of defense, taking part from H.R. 7, but making you and the Chairman as the ones who would do that study. Would you accept that responsibility if it would be accepted on both sides of the aisle?

Secretary PERRY. Of course, Mr. Montgomery.

Mr. MONTGOMERY. Well, I am going to do something unusual. I yield back the balance of my time.

The CHAIRMAN. The Chair appreciates the gentleman being unusual.

I would like to now recognize the gentleman from Virginia, Mr. Bateman.

Mr. BATEMAN. Thank you, Mr. Chairman.

And thank you Mr. Secretary, and General Shalikashvili; your testimony is helpful. I can't imagine the context in which this committee is not going to be benefited from receiving your frank and candid views on everything that touches our national security.



I am not insensitive to the comments that you have made and the positions that you have taken, and I won't use my time to make speeches at you or to anyone else. I do think, however, that there may be some disconnect between what I have perceived to be the purposes and the intent of the provisions of H.R. 7 and your perception of what is the animus or the thrust or the purpose of it.

I would hope that we would be able to establish a better frame of reference as to what it sets out to do and how it goes about doing it.

To get to the specifics, which is I think what advantages us more than rhetorical exercises, one of the things that is deeply troubling to me and, I think, to many members of the committee, and which influences the presence in the committee of its language with reference to ballistic missile defense systems, is the failure of our executive branch decisionmakers to pursue modifications of the Antiballistic Missile Treaty, which may make the development of defensive systems, that we all agree we ought to have, more difficult and expensive than perhaps they need to be.

We are dealing in the context of an Antiballistic Missile Treaty designed and entered into in a remarkably different strategic circumstance in which a mature reevaluation of it dictates that we need to renegotiate its terms in terms of mutually advantageous current realities. And if that cannot be done, we do not let it, in light of our prerogative to withdraw, interfere with our getting systems in place that we all agree are very important to our national security.

And I would hope that there would be some rethinking of that. To the extent it takes place, I think it diffuses much of what may appear currently to be a difference of opinion, and I think the difference of opinion, if any, is very slight.

You have referred to the provisions of the bill which are in the International Relations Committee, dealing with the expansion of NATO. I was gratified to hear yesterday that apparently the suggested amendments to those provisions that I have worked up and discussed with that committee and its leadership are probably going to be accepted, and I think will do at least substantial measure to diminish your concerns about them. And I hope that you will look at what emerges and, hopefully, the changes in that language.

The idea of this commission is one which obviously and very clearly is troublesome to you. I would hope, though, that it is not something that would be looked upon as a reflection that this committee does not have trust and confidence in you, Mr. Secretary, or in you, General, as the Chairman of the Joint Chiefs, or the other Joint Chiefs. I can't imagine our doing our job without hearing from you, respecting your views. Readiness is a subject that is much like beauty; so much of it is in the eye of the beholder.

Clearly we have serious concerns about readiness. As I have read the literature, as I have talked to various people in uniform, I am convinced—and I think the general agrees—that short term, because of diversion of resources, we experience difficulties; and clearly we need to address those short-term difficulties.

As chairman of the Readiness Subcommittee, I can assure you we will be in constant dialog with you to try and determine the manner in which we measure readiness problems, the manner in

which we are able to predict readiness problems before they occur, any systemic changes that can be made that will reduce readiness problems—these will be grist for the mill; and I don't think anybody would object if we have somebody on a commission who will help define those roles. Not that we are going to presume they are correct, that if they disagree with you, they are right and you are wrong. But I don't think we ought to be that concerned about some distinguished group who share a view based upon study and reflection, and presuming that they will be very competent national security analysts.

Thank you.

The CHAIRMAN. The gentleman's time has expired.

The gentlelady from Colorado.

Mrs. SCHROEDER. Thank you very much, Mr. Chairman.

And thank you both for appearing. I appreciated your statements about the commission, and that is one of the things that has troubled me because it looks like a politicization of the Defense Department and the Pentagon, and we have all worked so hard to try not to politicize it.

When I read this, the way it is written now, Bob Dole and Newt Gingrich would select the leader of the commission and two-thirds of the commissioners and so that, to me, looks like it could just be creating more tension and so forth.

But I must say the other question I have is whether this is constitutional, because article I, section 8, says that the Congress is supposed to do this; and I fear that if we defer it to an outside group, it looks like we are not doing it. I think we should think about this.

And I must say I think the two of you have worked very hard to do what you could with the resources we gave you. I don't think you have left the country unprotected, and I don't think your heads are going to roll, and I think you are working very hard to make ends meet. And we should think, as our ranking member admonished us to do, very carefully before we start one more of these.

The greatest thing to do in Washington is to have studies and commissions, and they must have thousands of warehouses somewhere to store all this. But the real issue is, how do we keep America protected? And I think we tend to do it in this committee room.

The real question I have is about funding. No one wants a hollow force, and I realize that once you discovered there were some shortfalls, you scrambled; and you think the budget now is back in place, as you testified. So my first question would be, if you look at the items laid out in H.R. 7, what would be your rough estimate of an add-on? If you had to come up with this ballistic missile defense deployment now, what kind of dollars would we be talking about to accelerate what we have going? That is question one.

Two, I was very pleased the general talked about NATO because I think we often seem to think NATO is a coffee klatch, without realizing its first premise is, I believe, that you might defend each of the members. So if we rush out and embrace Ukraine, which many of us may want to do, if something happens such as has happened in Chechnya, or say we had already let Chechnya in, under the NATO agreement that we all have signed as mutual promises

to each other, wouldn't that mean we would have to commit troops to Chechnya if they were a full ranking member in NATO?

I think this committee will have to talk about that a lot because I am not sure foreign affairs understands it.

Thank you for coming and I would like responses to those two things.

Secretary PERRY. First of all, just a parenthetical comment. My remarks on the commission were not directed to the political aspects of the commission which Mrs. Schroeder raised. Those are interesting questions, but I was directing myself to the management aspect of it. I come from a business background. I have managed businesses before, and my ways of managing businesses are to give somebody responsibility for their job and hold him accountable for doing it and giving support for doing it. I think that is the best way to run an enterprise, and I think that can work between this committee and DOD as well as it works in business. That is the way I prefer to work, and that is what my comments were meant to reflect.

On the national missile defense question, it is hard to give a precise answer to the question because it depends almost entirely on how complex and on what time scale the desired system would be. We have—in the 1996 budget which we are presenting to you, we have a National Missile Defense Program which will lead, I think, in a timely way to a deployed system, and it will be at a relatively small cost, probably \$5 billion in very round figures for the cost of the system.

Mrs. SCHROEDER. What kind of a timeframe are you looking at?

Secretary PERRY. This could be done by the end of the decade.

Mrs. SCHROEDER. But if you had to accelerate that—

Secretary PERRY. The system we propose doesn't have that to it. It has an enabling phase to it to reach a decision point, and at that decision point you decide either to do it compressed or extended, depending on the judgment of the threat at that time. But it is compatible with the deployment at the end of the decade.

It is a ground-based system, it is based on the same technology we are using at TMD and would be at relatively low cost. On the other hand—and it would only be capable of defending against a thin attack, a relatively small number of missiles being fired at the same time.

On the other hand, if the threat that one wants to defend against is a large-scale threat, then ground-based systems turn out not to be so capable of doing that and one needs to look alternatively at space-based systems. It is more expensive, many tens of billions of dollars. So I can't answer the question precisely because of that important distinction.

Let me pass the NATO question to General Shalikashvili.

General SHALIKASHVILI. I think the reason that nations scramble to join NATO is because NATO's security guarantee implies the readiness of all 60 nations, consistent with the constitutional process, to make available what resources it might take to come to the defense of any one of the partners. The worst thing that can be done is to look at a NATO commitment as a political statement, the sort of thing that happened in 1939. It must be, in fact, backed by



all the resources the Nation can make available to come to the assistance of all others.

We need to understand what the implication is when we do so in the East to only a number of nations and not the others, that we—in nations where there are still border disputes, tensions, and quarrels, and what that would mean if all of a sudden we would find one of our East European friends in a dispute with another East European friend who has not been admitted to the Alliance. We need to understand the implication of our commitment.

You can draw any number of scenarios from that. We only draw scenarios vis-a-vis Russia when we think of that. Remember, there are others.

Second, you also must understand, and I know you do, what conclusions nations in Eastern and Central Europe draw if they are not included on whatever list we establish. They too have the responsibility to think of their long-term security needs and responsibilities. And we might not like some of those conclusions that would be drawn by those who would feel themselves on the periphery of that issue. So it must be a real commitment, must not set up new lines and borders, and must treat very carefully the notion about what conclusions those will draw who are not included in whatever tranche you have for them.

The CHAIRMAN. Thank you. I think that is being considered in the other committee, the NATO part of it.

Now I recognize Mr. Weldon, the gentleman from Pennsylvania.

Mr. WELDON. Thank you, Mr. Chairman. And I thank you, both of you, for coming in today, and thank you for your service to America.

As a followup to my distinguished colleague from Colorado's question about the politicization of the commission, I will remind her that this legislation was drafted in September of last year when her party controlled both Houses of Congress. It has not been changed in form in that area, and, in fact, if they had won the elections in November, she would be controlling who was on the commission, not this party.

Let me get to my issue today, which is my concerns about the nuclear defense issue and specifically relative to Russia, a country that I do a lot of work with. I cochair the Russian-American Energy Caucus and am working with them very aggressively on their nuclear waste problem—with which our Defense Department isn't very helpful—in the Murmansk area and controlling that difficult problem.

If you look at the history of Russia, the big problem, as Ronald Reagan said, is trust but verify. I think back to my first legislative initiative in this Congress, which was a resolution on the House floor at a time when we were saying that we should strictly adhere to the ABM Treaty, saying that they were, in fact, violating it with Krasnoyarsk radar. The liberals in the Congress pooh-poohed my amendment and said it wasn't significant.

We just read several months ago where retired General Votinsev, who, in fact, for 18 years headed up Russian defense in ABM systems, said—and I will provide the quotes to any member of this body—that, in fact, it was a deliberate violation of ABM; the Russians knew what they were doing and were deliberately moving

that radar for the specific purpose that was, in fact, outlawed by the ABM Treaty.

Many things have changed in Russia, but many things have stayed the same. We saw the January 15 editorial in the New York Times where we documented how we bought one of the most sophisticated air defense systems, better than our Patriot. If we can buy that system, we know it is being shopped around the world to many other countries.

We have seen cases where the current Defense Minister, Mr. Grachev, has been linked in the Russian media to the assassination of a reporter because of a story done about the problems within the Russian military. This is the same gentleman who controls the command and control of their strategic missiles forces. So while many things have changed, also many things are the same, and there is reason for us to want to trust but verify.

We look at the sale of missiles around the world, not just ICBM's, the cruise missile problem; 40 countries have cruise missiles today. We have heard, well, they can't reach our soil with ICBM's because other countries don't have them yet. Forty countries have cruise missiles which could be launched from any platform at sea to reach the American mainland; and we don't, in my opinion, have adequate defenses in that area.

Let me get back to a very specific question. Mr. Secretary, you said that the contract to some extent disturbs you. This deeply disturbed me with the President the night of the State of the Union. Americans want to believe our President and look to him for leadership. I will read a direct quote. He said to the American people, this is the first State of the Union address ever delivered since the beginning of the cold war when not a single Russian missile is pointed at the children of America. Our President said that. Yet General Sergeyev on "60 Minutes" the previous Sunday night said in a response to a question by Ed Bradley, is there a verification on both sides?

General SERGEYEV. No. We don't have these kinds of systems of verification or control. For the first time, we do it on total confidence to one another.

My question to you is, Have we or can we unequivocally verify that no Russian missile today, as the President said, is pointed at this country?

Secretary PERRY. Mr. Weldon, whether or not we could do would be largely academic, because if we could, at any instant in time, verify that there was no missile pointed at the United States, some number of minutes after that the situation could change, they could be retargeted. So I don't want to make too much of this point.

I spent most of my earlier career before coming into the Pentagon in the design of verification systems and the analysis of intelligence data. I am very familiar with the activities we have underway to verify what is going on all over the world, including in the former Soviet Union. We have today a much better chance of understanding in detail what is going on in Russia because of the openness of the society and because thousands of people in the society, including military and government people from the United States—perhaps the most dramatic illustration of that was a few months ago when I was invited to go to a Russian operational



ICBM site into the control room, looking at the details, into the silos, looking down and touching the ICBM's. So we have much better access to that today, much better ability to verify.

But on your basic point, the answer is, there is no way of verifying how the computers within the missiles are pointed, and to the extent there were a way of doing that, it would not be terribly important because it can be changed in a relatively short time after that. The great advantage of the agreement, though—and it is an advantage for both countries—is that if there is an accidental firing of the missile, the missile will end up in the ocean somewhere, not in a city in the United States or a city in Russia.

General Shalikashvili, would you like to add anything?

General SHALIKASHVILI. No. I fully agree.

The CHAIRMAN. The gentleman's time has expired.

The gentleman from Missouri, Mr. Skelton.

Mr. SKELTON. Thank you, Mr. Chairman.

I thank both you gentlemen for being with us and for your excellent testimony this morning. Mr. Secretary, section 203 of the proposed legislation sets forth a requirement, not later than 60 days after date of the enactment of this act the Secretary of Defense shall submit to the congressional Defense Committees a plan for deployment of an antiballistic missile system, et cetera, and I assume such a system would be rather expensive; is that correct?

Secretary PERRY. In my answer to Mrs. Schroeder's question, I said there is a wide variety of costs of the system, depending on the capabilities desired. A ground-based system to defend against a relatively thin attack, relatively small attack, could be built for perhaps \$5 billion, perhaps something more than that. A system to defend against a large-scale attack would cost very much more than that—many tens of billions of dollars.

Mr. SKELTON. I am impressed by the fact that both of you have as the pole star of your testimony, readiness. That was the first thing, Mr. Secretary, you mentioned; and General Shalikashvili mentioned your concern about readiness. This is a very important issue.

And in speaking of readiness, on page 6 of your prepared testimony, Mr. Secretary, U.S. forces must be ready to be prepared to fight and win two nearly simultaneous major regional conflicts, able to sustain robust overseas presence in peacetime. You must be prepared for a variety of lesser contingencies, and you must be able to deter and prevent attacks of weapons of mass destruction; is that not correct?

Secretary PERRY. That is correct.

Mr. SKELTON. The issue of readiness calls for a number of elements of consideration. General, I assume that one of those elements would be sufficient force structure. Another would be taking care of the necessary pay raises for personnel; is that right?

General SHALIKASHVILI. That is correct.

Mr. SKELTON. Another would be that of operations and maintenance, including contingency operations, training, base operations, maintenance, quality of life?

General SHALIKASHVILI. Correct.

Mr. SKELTON. Another element of consideration would be modernization; is that correct?

General SHALIKASHVILI. Yes.

Mr. SKELTON. And also in putting together a budget to keep your forces ready, the element of potential inflation is also of primary concern; is that right?

General SHALIKASHVILI. That is correct.

Mr. SKELTON. The bottom line out of all of this—and I realize you are in never-never land in trying to assess a cost, the tough question I asked a moment ago and the gentlelady referred to earlier—with the limited amount of dollars available, what would a substantial system other than the one that you have planned at the present time and you are working on now, what would that do to the various elements that I mentioned, elements of consideration, and what would that do to readiness?

I would like each of you to respond.

Secretary PERRY. First of all, within the 1996 Defense budget and the FYDP there are provisions for both a theater defense system, that goes to full deployment, and a national missile defense system, which maintains an optional deployment, a decision to be made 2 or 3 years in the future for a deployment which could be a deployment by the end of the decade. So the costs for that will be within that proposed program; and we have made then the trade offs on all these other issues which you are suggesting and believe that that is a reasonable balance.

If the Congress' judgment was that a larger or more expensive system were needed, in particular a system that could defend against a large-scale attack, then that is several tens of billions of dollars, and that would have to be presumably traded off against other things we have in the budget. One example—the quality-of-life initiative, so-called, which is in this budget is \$2.7 billion. We are getting an enormous benefit to that in terms of the morale and the readiness of our forces, I believe. That is the kind of issue which would have to be traded off. The cost of \$2.7 billion is a lot of money even in the defense budget and even over the 5- or 6-year period.

General SHALIKASHVILI. The only thing I could add, Mr. Skelton, is that the other day when we were testifying before another committee on the issue of the potential impact of not being reimbursed the \$2.6 billion that we are expending this year for operations, I went through a long list of what that would do to our forces, and I finished up by saying that \$2.6 billion, within the constraints of the budget that we have, would be devastating on the readiness of our forces.

Now, clearly—

Mr. SKELTON. Would you repeat them, please?

General SHALIKASHVILI. I said the impact would be devastating if we were not this year reimbursed the \$2.6 billion. That is sort of put within the framework of what it would be if we had to adjust for tens of billions of dollars for a missile defense program without an increase in the top line.

Mr. SKELTON. Thank you.

The CHAIRMAN. I thank the gentleman. According to that big clock on the wall, both hands are looking straight up. That means it is 12 o'clock, and consistent with our agreement, Mr. Secretary, we are going to allow you to leave.

I appreciate both of your contributions to our hearing. I regret that some members haven't had an opportunity to ask questions. I encourage them, if they have questions, submit them for the record.

Secretary PERRY. We would be happy to answer questions for the record, and apologize for having to truncate this hearing. I also invite you to schedule another hearing to deal with some of these same issues in the budget presentation which we will be making to this committee in, I hope, just a few weeks.

Mr. DORNAN. Mr. Chairman, parliamentary inquiry.

When we submit our questions, could we because of the rush of time imposed by the 100 days and the Contract With America, could we ask courteously for some sort of timeframe? Given the amount of people that we pay in the Pentagon that can answer these questions in a fulsome and quick way, could we ask for some sort of timeframe when we could get our answers back?

Secretary PERRY. I am very sensitive to the point you make, Mr. Dornan, and we will be responsive to that.

Mr. CUNNINGHAM. Will the gentleman yield? With all due respect to the Secretary, I was one of the persons that put that stuff together, and it does take a lot of time.

The CHAIRMAN. I thank the gentlemen at the table. You have responded to many questions this morning and covered the field pretty well, as far as I am concerned. We appreciate it. Thank you.

The meeting will be adjourned.

[Whereupon, at 12 noon, the committee was adjourned.]

[The following question was submitted for the record by Hon. Neil Abercrombie of Hawaii:]

Representative ABERCROMBIE. Mr. Secretary, you mentioned that U.S. involvement in Macedonia was essential to keeping the war in Bosnia from spreading. I am very interested in your observations on that operation and would like to request that you provide us with an evaluation of the U.S. troops serving in Macedonia within the context of the effectiveness of said troops under multinational command. A current summary of the overall mission would also be useful.

Secretary PERRY. Preventing the spread of the current conflict in Bosnia into a wider regional war is a vital national interest of the U.S. Such a wider war has the potential for expanding throughout Southern Europe and involving NATO partners, Greece and Turkey, on opposite sides.

Macedonia is strategically located in an area just to the south of Serbia, the west of Bulgaria, and the north of Greece. It is the poorest country in Europe, and the economic situation continues to deteriorate as a result of the enforcement of sanctions against Serbia, its traditional trading partner, and the embargo imposed by Greece. Ethnic tensions are significant due to a large Albanian minority (30%) and a smaller Serbian minority.

Because of Macedonia's importance, the U.S. is committed to its stability through our participation in UNPROFOR.

UNPROFOR was established by UN Security Council Resolution 743, dated February 21, 1992. Based on concerns about possible developments which could undermine confidence and stability in Macedonia and on a request from the government of Macedonia, the UN Security Council in Resolution 795, dated December 11, 1992, decided to establish a presence in Macedonia.

The U.N. Security Council accepted in Resolution 842, dated June 18, 1993, the U.S. offer to deploy U.S. forces to Macedonia. That first deployment was carried out in July 1993 and was operational by August 1993. This participation has been commonly known as Task Force Able Sentry and has included about 520 U.S. personnel. On December 8, 1994, we began our fourth rotation of units in Macedonia with 3rd Squadron, 5th Cavalry Regiment, 1st Armored Division homestationed at Kichgoens, Germany, and commanded by LTC Rush, replacing soldiers from the 3rd Infantry Division posted at Schweinfurt, Germany.

The mission of the UNPROFOR in Macedonia (UN FYROM COMD) is to maintain UN presence on the Macedonian side of the republic's borders with Albania and the Federal Republic of Yugoslavia (Serbia and Montenegro) with an essentially preventive mandate of monitoring and reporting any developments in the border areas which could undermine confidence and stability in Macedonia or threaten its territory.

We are very pleased with the effectiveness of our troops operating under the UN mandate. Several incidents over the past year in which Serbian troops or aircraft have crossed the poorly defined border have been resolved peacefully and with no casualties among Task Force Able Sentry. However, I left from my most recent visit to Macedonia and Task Force Able Sentry in July 1994 convinced not only that what we were doing in Macedonia was essential to deterring further escalation of the fighting in the Balkans but also that we needed to do even more to assist Macedonia.

Scandinavian leadership and participation in UN FYROM COMD has been professional and responsible. BG Tellefsen (Norway) served admirably as the General Officer Commanding. Upon the completion of his tour in February 1995, we supported his replacement with Finnish BG Engstrom. We feel comfortable continuing this arrangement and believe that our presence is a vital element in containing the conflict in the Balkans.



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